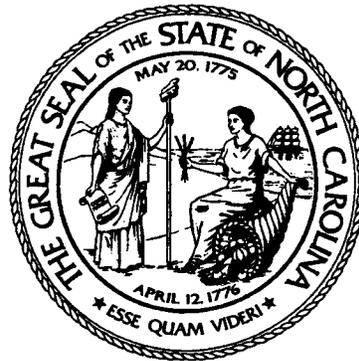


STATE PORTS STUDY COMMISSION



**REPORT TO THE
1997 GENERAL ASSEMBLY
OF NORTH CAROLINA**

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TABLE OF CONTENTS

LETTER OF TRANSMITTAL.....	i
COMMISSION MEMBERSHIP.....	ii
PREFACE.....	1
COMMISSION PROCEEDINGS.....	2
Meeting on October 27, 1995.....	2
Meeting on November 30, 1995.....	5
Meeting on January 30 and 31, 1996.....	8
Tour of Charleston and Savannah Ports.....	13
Meeting on April 29, 1996.....	16
Meeting on September 30, 1996.....	17
Meeting on November 25, 1996.....	19
-Resolution of issues and determination of final recommendations-....	19
Meeting on January 27, 1997.....	21
FINDINGS AND RECOMMENDATIONS.....	22
APPENDICES	
SECTION 16.1 OF CHAPTER 542 OF THE 1995 SESSION LAWS AND SECTION 26.10 OF CHAPTER 18 OF THE SESSION LAWS OF THE 1996 SECOND EXTRA SESSION -	APPENDIX A
A BILL TO BE ENTITLED AN ACT TO ESTABLISH THE STATE PORTS FACILITIES IMPROVEMENTS FUND FROM ONE PERCENT OF CORPORATE INCOME TAX COLLECTIONS. -	APPENDIX B
A BILL TO BE ENTITLED AN ACT TO APPROPRIATE FUNDS FOR CAPITAL IMPROVEMENTS AT THE STATE PORTS. -	APPENDIX C
A BILL TO BE ENTITLED AN ACT TO PROVIDE THAT AT LEAST ONE MEMBER OF THE BOARD OF THE NORTH CAROLINA STATE PORTS AUTHORITY BE AFFILIATED WITH A MAJOR IMPORTER OR EXPORTER USING THE STATE PORTS. -	APPENDIX D

A BILL TO BE ENTITLED AN ACT TO EXEMPT THE STATE PORTS AUTHORITY
FROM STATE PURCHASE AND CONTRACT REQUIREMENTS. -

APPENDIX E

A BILL TO BE ENTITLED AN ACT TO REMOVE THE SUNSET ON THE STATE PORTS
TAX CREDIT AND TO RAISE THE MAXIMUM CUMULATIVE CREDIT TO
FIVE MILLION DOLLARS. -

APPENDIX F

NCSPA MASTER CAPITAL DEVELOPMENT PLAN/EXECUTIVE SUMMARY -

APPENDIX G

ECONOMIC IMPACT OF STATE PORTS AUTHORITY -

APPENDIX H

January 29, 1997

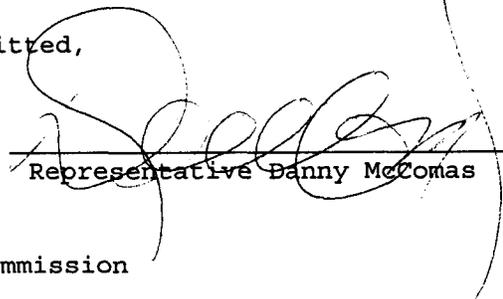
TO THE MEMBERS OF THE 1997 GENERAL ASSEMBLY:

The State Ports Study Commission herewith submits to you for your consideration its report prepared pursuant to Section 16.1 of Chapter 542 of the 1995 Session Laws, as amended by Section 26.10 of the 1995 Session Laws.

Respectfully submitted,



Senator Beverly Perdue



Representative Danny McComas

Cochairs
State Ports Study Commission

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MEMBERSHIP
1995 - 1996

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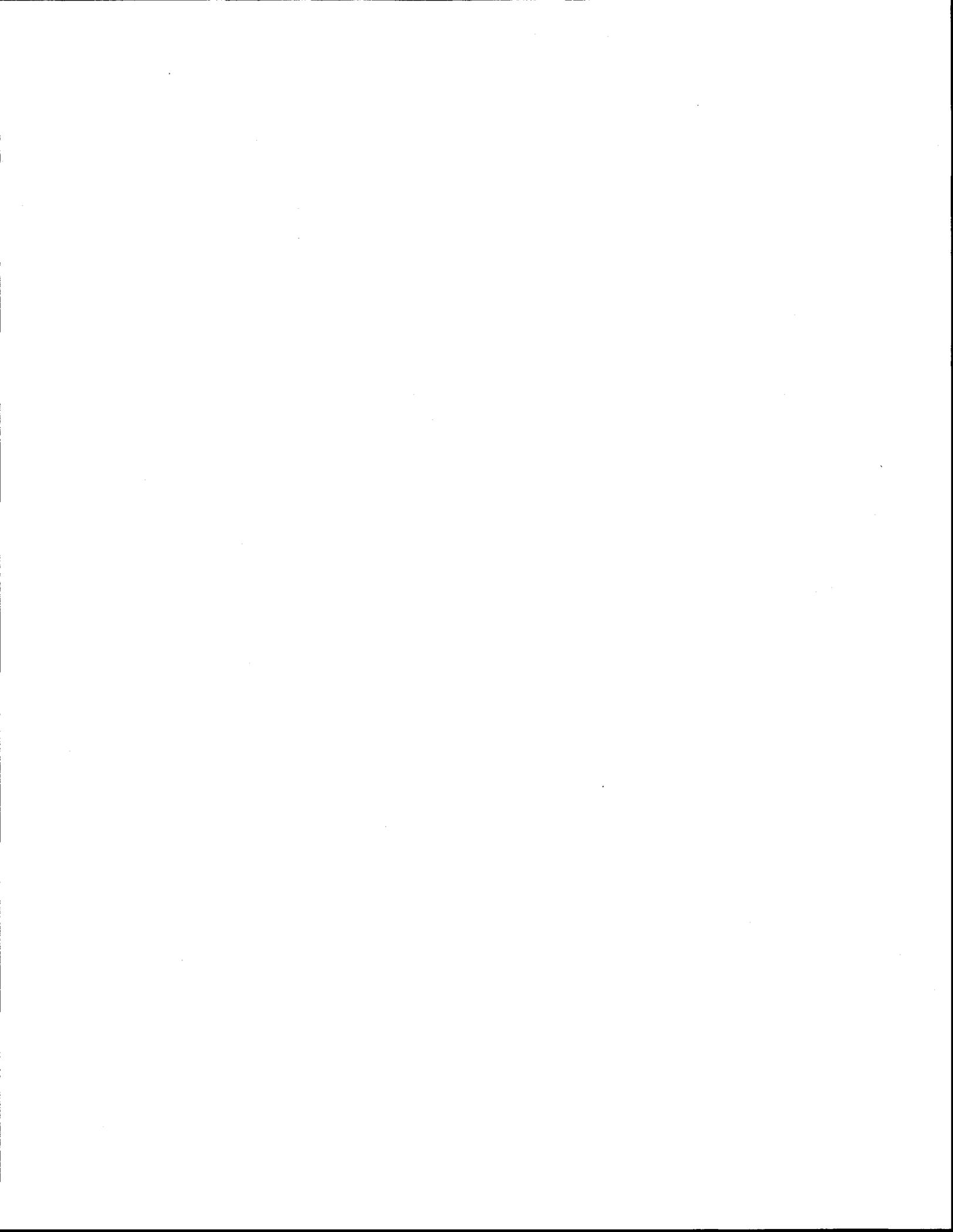
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PREFACE

The State Ports Study Commission was created by Section 16.1 of Chapter 542 of the 1995 Session Laws, the Studies Act of 1995, and was extended by Section 26.10 of Chapter 18 of the 1995 Session Laws. The purpose of the Commission is to study the status, resources and operations of the ports of North Carolina, to determine whether the ports are serving the needs of exporters and importers in North Carolina, and to develop ways in which North Carolina industries and the State would benefit from port improvements and modifications.

The legislation further specifies that the Commission shall:

- (1) Review the roles of the ports in the economy of North Carolina, the transportation system necessary to port development, the administrative location of the ports, the desirability of privatization and leasing of ports, and any other issues directly pertaining to ports development and improvement of North Carolina ports;
- (2) Examine and review the current operations of the ports, and of the State Ports Authority, and the ways in which policies and plans for the ports are formed and administered;
- (3) Endeavor to determine (i) the cost-effectiveness of port operations, the returns realized by the State on its investment, (ii) whether there are alternatives to the current methods of operations which would be more beneficial to the taxpayers, and (iii) ways, if any, that services to North Carolina business and industry, including the port industries and the exporters and importers, could be improved or modified for the mutual benefit of those private industries and the State;
- (4) Examine and review the methodologies in use by ports in other states that have achieved apparently more favorable returns to their states and industries;
- (5) Recommend a methodology for establishing and administering a long-term planning procedure for the State Ports Authority; and
- (6) Study the use and development of Radio Island.



COMMISSION PROCEEDINGS

Meeting on October 27, 1995

The State Ports Study Commission held its first meeting on October 27, 1995, at the Wilmington port terminal. Senator Beverly Perdue, Cochair, opened the meeting by stating that one goal of the Commission was to decide whether the General Assembly should play a stronger role in the North Carolina ports as the State moves into the twenty-first century. She also hoped that the Commission would be able to address the issue of how the ports can better serve the State's business community. Representative Danny McComas, Cochair, expressed his deep concern for the ports and his hope that the Commission would be able to assist the ports to compete more effectively in the world market.

Mr. Walker Reagan, Staff Attorney in the Legislative Research Division, reviewed the creation and history of the State ports. The Morehead City port was established in 1936 and the Wilmington port was established in 1952. They are managed by the North Carolina State Ports Authority (NCSA), which was created by an act of the General Assembly.

Mr. Reagan noted that this is the fourth time that the State ports have been studied since 1988. The first two studies were conducted under the direction of the Legislative Research Commission. The first study, authorized by the 1988 General Assembly, reported to the 1989 General Assembly, and made four recommendations:

- 1) That the NCSA be exempted from the State's purchase and contract law;
- 2) That the administrative structure of the NCSA be restructured to (i) allow the Board of the Authority, rather than the Secretary of Commerce, to hire the Executive Director; (ii) to allow the Board, rather than the General Assembly, to set the Executive Director's salary; and (iii) to allow the Executive Director hire the ports staff rather than the Secretary of
- 3) That the General Assembly seek to improve rail service to the ports; and
- 4) That the study be continued.

As a result of the study, the General Assembly enacted the administrative reorganization suggested by the second recommendation and authorized the continuation of the study.

The second study was authorized in 1989 to report to the 1991 General Assembly. That study made five recommendations:

- 1) That an export tax credit be established for companies in the State using the State ports;
- 2) That the State ports be exempted from the payment of sales taxes;
- 3) That the NCSA be exempted from the State's purchase and contract law;
- 4) That a bond referendum be authorized for capital improvements and major ports maintenance; and
- 5) That the abandoned rail line from Wallace to Castle Hayne be reacquired by the Department of Transportation.

As a result of the study, the 1991 General Assembly adopted the export tax credit and the State began reacquiring the rail corridor. (It has since completed that acquisition.)

The General Assembly directed the Economic Development Board of the Department of Commerce to study the status of the NCSPA as a State agency and determine whether the continued existence of the Ports Railway Commission was justified. The study resulted in ten major recommendations, including:

- 1) That the NCSPA continue as an independent State agency governed by a free-standing board of directors;
- 2) That the Ports board be restructured so that the Governor's appointees serve four-year terms corresponding to the Governor's and that the Secretary of Transportation be added as an ex-officio voting member;
- 3) That the NCSPA develop a 10-year comprehensive long-range capital plan;
- 4) That criteria be developed to guide the General Assembly in making appropriations for the NCSPA and to evaluate the NCSPA's performance in achieving investment objectives;
- 5) That the NCSPA be transferred to the Department of Transportation;
- 6) That the Board of Transportation be assigned the review and approval of the NCSPA's overall capital plan;
- 7) That funding be provided for the local share of Army Corps of Engineer's dredging of the ocean bar in the Wilmington channel;
- 8) That the ports tax credit be expanded to include importers;
- 9) That the North Carolina Ports Railway Commission (NCPRC) be abolished and the assets transferred to the NCSPA (the Attorney General has expressed reservations about this proposal); and
- 10) That the needs of the NCSPA be included in the statewide rail plan.

As a result of this study, the General Assembly has funded the Wilmington channel dredging and expanded the ports tax credit to importers, and the NCSPA has commissioned the 10-year long range capital plan.

Mr. Reagan concluded that the major recommendations of these three studies have not been acted upon. He suggested that the Commission might wish to address four issues in particular:

- 1) Whether the NCSPA should be administratively transferred to the Department of Transportation;
- 2) Whether the State needs to establish some ongoing method for funding the ports' capital needs;
- 3) Whether the NCSPA should be exempted from the State's purchase and contract law; and
- 4) What the future status of the Ports Railway Commission should be.

Mr. Sean Dail then reviewed the Commission's charge, which is contained in the Preface to this report.

Ms. Mona Moon, Fiscal Analyst, Fiscal Research Division, next reviewed the ten-year financial history of the NCSPA. She explained that the NCSPA is known as an "enterprise agency," and therefore does not typically receive appropriations for operations, but supports its operations through revenue generated from fees and leases. As Ms. Moon reviewed a history of financial audits compiled by the State Auditor's office, concerns were raised by several Commission members about differences between the way the State Auditor and the NCSPA account for some of the operating expenses. Mr. Seddon Goode, Commission member, suggested that the NCSPA needs to have its auditing conducted by an outside auditing firm. The Chairs requested a comparison of the NCSPA's financial report for 1994-95 and the State Auditor's report for the same period.

Ms. Moon next reviewed the ten-year history of State support for the NCSPA. During those ten years, the General Assembly has appropriated \$35 million in capital from the General Fund, \$885,000 from Repairs and Renovations, and \$18.6 million in State matching funds required for U.S. Corps of Engineers projects (primarily for the dredging of navigation channels).

Ms. Moon then explained the ports tax credit which Mr. Reagan had mentioned earlier. The tax credit that was enacted in 1992 to encourage the use of the ports applied only to exporters who were paying their own transportation costs. In 1994 it was expanded to include all amounts assessed on exported cargo, whether the shipping costs were paid by exporter or by the buyer. In 1995, as recommended by the Economic Development Board, the credit was also extended to include imports.

Ms. Moon also addressed the 1994 economic impact study conducted by Dr. Gary Shoemith at Wake Forest University's Babcock School of Management. This report concluded that every ton of cargo that moves through the State ports generates \$41 in State tax revenue. The expected increase in cargo generated by the extension of the tax credit to imports would produce sufficient tax revenue to offset the estimated cost to the General Fund.

Mr. Jim Scott, the Executive Director of the NCSPA at the time, next addressed the current state and needs of the NCSPA. Between 1986 and 1995, a total of \$40 million in revenues generated by the ports was used to expand and repair facilities.

Mr. Scott listed the major needs of the State ports as:

- 1) The deepening of the Cape Fear River navigation channel at the Wilmington port to 42 feet;
- 2) The securing of intermodal rail service to Wilmington;
- 3) The improvement of the general rail service to both the Wilmington and Morehead city terminals; and
- 4) The improvement of road access to both the Wilmington and Morehead City terminals, and particularly the need for a limited access four-lane road between Wilmington and Charlotte.

The Commission next heard from Mr. Erik Stromberg, who would take over as Executive Director of the NCSPA upon Mr. Scott's retirement at the end of 1995. Mr. Stromberg is the former CEO of the American Association of Ports Authorities (AAPA). He briefly summarized the greatest challenges he saw ahead for the NCSPA as landside access and capital formation. He noted that these issues were not unique to North Carolina, but were key concerns facing all U.S. ports. However, he felt that in the area of capital funding for infrastructure development, the NCSPA has not fared as well compared to other ports in the South Atlantic. Because of the difficulty of deriving capital from both public and private sources, the NCSPA must carefully assess and prioritize its capital needs; therefore, the NCSPA had recently engaged a team of consultants to develop a ten-year master capital plan. Mr. Stromberg stressed that capital development plans must be made with sufficient flexibility to meet the dynamic changes in the ports business.

Mr. Stromberg concluded by acknowledging that the NCSPA needs to make full use of its internal human resources with an eye towards greater productivity and

customer service. However, he emphasized that the support of the State, general business community, and local maritime communities around each port will be vital to success.

The meeting concluded with a discussion by the Commission members of various concerns and observations about the ports. The following is a summary of those topics/concerns listed in order of importance to the Commission as the result of a poll conducted by the staff after the meeting:

- 1) Capital formation - how the ongoing capital needs of the ports are to be determined and paid for;
- 2) Railroad access - the need for fewer crossings and a level speed limit; the need for speedier and easier access to the ports;
- 3) Role of the N.C. Ports - what purpose and role should the N.C. ports play? What niche should the ports try to fill?;
- 4) Highway access - improved highway access to the ports; refinement of DOT policy regarding stoplights along routes to the ports;
- 5) Analysis of other successful small ports - determine a structure for allowing the State Ports Authority to operate more independently;
- 6) Audit - requiring audits of the State Ports by one of the big six accounting firms;
- 7) Maintenance of the Wilmington channel;
- 8) Ports marketing - are the State Ports doing a proper job of marketing?;
- 9) Privatization of the State Ports or of certain services at the State Ports;
- 10) Coordination of the State Ports' capabilities with the development of the Global TransPark;
- 11) Expansion of ports facilities at Morehead City;
- 12) Comparison of the State Ports Authority with the Greensboro/High Point Airport Authority and the Mecklenburg Hospital Authority.

At the conclusion of the meeting, Mr. Jim Scott and Mr. Erik Stromberg led the Commission on a tour of the Wilmington terminal.

Meeting on November 30, 1995

The Committee's next meeting was held on November 30, 1995, at the Morehead City port. The first speaker was Ms. Nancy Stallings, Executive Director of the Global TransPark Foundation, who had been asked to address the impact of the Global TransPark on the State's ports. She explained that the Global TransPark is designed to act as a "magnet" to all of eastern North Carolina and to both the

Wilmington and Morehead City ports as a commerce center providing an industry locating in the region with two ports, two railroads, good highways, and two good two-mile long aviation runways. She mentioned three specific things that were key to the development of the TransPark: perishable goods, "hi-tech" products, and goods and equipment hauled by the U.S. Department of Defense. She acknowledged, however, that the larger companies they deal with usually inquire about the Norfolk and Charleston ports, rather than North Carolina's ports, and concluded by maintaining that the NCSPA and the TransPark need to work together closely to produce the kind of economic growth that will help the NCSPA.

Ms. Mona Moon, Fiscal Analyst, Fiscal Research Division next provided the Commission with a comparison of the NCSPA's financial report for 1994-95 and the State Auditor's report for the same period. She explained that the differences in the two documents were a result of the NCSPA's maintaining a separate category of operating expense designated as "general administrative expenses," which the State Auditor does not recognize. Since NCSPA includes this in its operating expenses before depreciation is deducted, the figures in the two documents look different until you reach the bottom line.

In response to this, several Commission members questioned whether the NCSPA needs to have unqualified audits performed by a major accounting firm, particularly for the purpose of issuing bonds. The Cochairs appointed a subcommittee to examine this issue.

Mr. Erik Stromberg, the incoming Executive Director of the NCSPA, next addressed the transportation problems at the State Ports. He began by stating his opinion that there needs to be more integrated decision-making in this State with respect to transportation and economic development policies in order to make the highways, rail, airports, and ports complement each other. Mr. Stromberg noted that at one time there were as many as five rail lines serving the two ports. Now, each port is served by only a single rail line. Norfolk, Charleston, Savannah, and other east coast ports have both CSX and Norfolk Southern serving their terminals; the North Carolina ports have only CSX at Wilmington and Norfolk Southern at Morehead. He also stressed that the highway system serving the ports is inefficient. Scheduled improvements to the highway system will be of some assistance, but he hopes that the ports will be given more consideration in future transportation planning.

Mr. Stromberg also stressed that the State ports have an aging infrastructure. Many facilities need to be upgraded and modernized in order to handle future demands. He noted that our State has been behind the states of Virginia, South Carolina, and Georgia in terms of capital assistance to its ports. As the Commission had been told at its first meeting, during the past ten years the General Assembly has appropriated \$35 million from the General Fund, \$885,000 from Repairs and Renovations, and \$18.6 in matching for water resource projects for the ports. Other than that, the NCSPA has funded its own capital and operating expenses. The State, through the Department of Environment, Health, and Natural Resources does assist in federal harbor deepening and maintenance projects, but the NCSPA spends about \$400,000 a year to dredge its own berths.

Mr. David King, Deputy Secretary for Transit, Rail, and Rail then addressed the long-range transportation plans affecting the State ports. He began by addressing rail service to the ports. In addition to the existing CSX line from

Wilmington to Charlotte, the Department of Transportation has, with the assistance of CSX, taken title to the 27 miles of abandoned rail corridor between Wallace and Castle Hayne. At either end of this corridor, he explained, there is an active CSX line; therefore, if a future economic opportunity justifies the estimated \$15 to \$25 million it would take to put that line back into service, DOT is in a position to do that. He noted that DOT has in place a means of protecting against future abandonments such as the one that took place with the Wallace to Castle Hayne corridor. Mr. King agreed that dual line service to the ports is badly needed.

Mr. Seddon Goode, Commission member, requested an explanation of the arrangement reached between CSX and Norfolk Southern to operate on a shared corridor at the Charleston port, thereby providing it with dual service. Mr. Lyman Cooper with CSX Transportation explained that the arrangement at Charleston resulted because it allowed the two companies to reduce their costs. However, he stated that there is currently no incentive for Norfolk Southern to allow CSX to use their line to Morehead City and divide the limited profits at that port, and the same principal applied for CSX at Wilmington.

Mr. Calvin Leggett, Director of Planning and Programming for the Division of Highways, next addressed highway access to the ports. He explained that there are two major routes to the Morehead City port, US 70 and NC 24, and provided an update on highway construction and proposals for improvement in and around those routes. The Bridges Street extension is a project scheduled for completion in 1998, and there is also a long-range proposal to take US 70 north of Beaufort. He addressed the four major routes to the Wilmington port: US 17, I-40, US 421, and US 74/76. He reported that US 17 had been widened to four lanes running south to South Carolina, and is scheduled to be similarly widened north to Virginia as part of the Governor's Transportation 2001 plan. Access to the port from I-40 remains a major concern because vehicles must travel through town after the interstate terminates. DOT plans to complete both the widening US 74/76 to four lanes between I-95 and Whiteville and a Rockingham and Hamlet bypass on US 74/76 by the year 2000. There are also two local projects in the Wilmington area to improve traffic flow into the port: the Smith Creek Parkway, which runs parallel to Market Street, and a proposed US 17 bypass that will run from US 17 North to south of Hamstead and will connect to US 421 west of Wilmington into Brunswick County. There is also a long-range proposal, the Southern Bridge project, which provides for construction of a new road from the existing US 421/US 74/75 intersection south over the Cape Fear River, allowing port traffic to get over the river and onto I-40 without having to navigate the Wilmington city streets.

Senator Perdue asked whether the speed limit on portions of US 70 could be raised from 55 to 65 miles per hour in light of the recent repeal of the national speed limit; Mr. Leggett replied that such a decision could not be made by DOT, but would require legislation from the General Assembly.

Mr. Will Plentl, Director of DOT's Aviation Division, then addressed air access to the two ports. The primary access to the Wilmington port is the New Hanover county airport, which handles about 17 flights a day and moves about 4 million pounds of freight a year. Though the Craven County Regional Airport provides about eight flights a day, the primary access to the Morehead City port from a business aviation standpoint is the Michael J. Smith Field at Morehead City.

Mr. Lyman Cooper of CSX Transportation and Mr. Durwood Laughinghouse of Norfolk Southern were each recognized to address their companies' future plans and the possibility of dual service to North Carolina's ports. Though they both expressed enthusiasm for the ports they served, they stated that neither rail company planned to begin service to the other port unless it becomes economically desirable for them to do so. Representative McComas, Cochair, observed that a steamship line had recently left Wilmington because of the lack of adequate rail service to the port. He also expressed his opinion that if North Carolina's ports are going to be competitive in the world market, they need improved rail service.

At the conclusion of the meeting, Mr. Don McMahan, the Morehead City port manager, led the Commission on a tour of the Morehead City port and Radio Island.

Meeting on January 30-31, 1996

January 30, 1996

On January 30, 1996, the Commission met in Raleigh. The first speaker was Rear Admiral Carl Seiberlich, USN (Ret.), who addressed the role of ports in the international intermodal system. RAdm. Seiberlich is the Director of Military Programs for American President Lines, a large international container transportation company, and also cochairs the Intermodal Task Force, Transportation Research Board, National Research Council, National Academy of Sciences. RAdm. Seiberlich began by reviewing the ways in which advancing technology has altered the means of transporting freight over the years, and stated that the transportation industry has undergone as many changes in the last four years as it had in the previous 50 years. While his presentation made the complexities of the present intermodal system very clear, he emphasized that a very simple principle lies at the heart of the system: responding to the needs and expectations of the customer. This includes determining whether the customer is more concerned with costs or transit time, as well as keeping the customer informed of the status of the cargo.

RAdm. Seiberlich explained that any individual port's role in the overall intermodal system is determined by examining which commodities are compatible with that port's capabilities and which customers can be secured for the smallest investment. This is the process widely referred to as "finding the port's niche."

RAdm. Seiberlich also told the Commission that Sunny Point, the U.S. Army supply depot near Southport and across the Cape Fear from Wilmington, may present opportunities for North Carolina in the future as the Army's primary facility for the movement of containerized ammunition.

The next speaker was Mr. Mike Lanier, General Manager of Yang Ming Line in Wilmington, who addressed the concerns of shipping lines currently using the State ports. Yang Ming is an independent carrier which calls at the ports of Savannah, Wilmington, and New York. Its greatest operational concern at Wilmington is channel draft; if not for the recent dredging of the channel to 38 feet, Mr. Lanier stated that Yang Ming would have been forced to look for another port-of-call. He noted that each inch of additional draft translates into about \$18,000 of revenue for his company.

Mr. Lanier also emphasized how important it is to a shipping line that funds be available for the maintenance of equipment at the ports; if a container crane goes down, a line can incur costs of as much as \$5,000. Costs can be much greater if a delay causes them to miss a tide "window." Mr. Lanier felt that the current number of container cranes and the maintenance of those cranes was sufficient; Yang Ming's concern is that maintenance continue as the cranes age.

As for highway access, Mr. Lanier noted that the completion of I-40 had benefited Yang Ming greatly, but it remains concerned about highway access to Charlotte. Representative McComas noted that Yang Ming's current contract with the port was for only two years, a much shorter term than previous contracts; Mr. Lanier attributed this mostly to the movement in the shipping industry toward the consolidation of carriers and the sharing of vessels. However, the contract does contain a clause that conditions Yang Ming's obligations on the timely completion of the dredging operations.

The next speaker was Mr. Paul Hargett, Director of Sales for the South Atlantic, Mediterranean Shipping Company. He began by emphasizing that the NCSPA does many things very well; the sales and marketing staff is more dynamic than at any other port he has dealt with, and he has seen great improvements in this area over the past ten years. However, no matter how well our ports market, logistics are often a problem as compared to other South Atlantic ports, due to the lack of intermodal or dual rail service and problems with highway access. He noted that incentive packages to encourage companies to use the ports can only be effective if there is a means to move goods to and from the port efficiently; currently, these problems render efforts to lure companies located west of the Triangle virtually "moot." He also maintained that in the last four years the port has lost two services as a direct result of these logistical problems. While he did not think it likely that Mediterranean would consider leaving Wilmington in the near future, it remains concerned about rail and highway access.

Commission discussion followed. Mr. Emerson referred to RAdm. Seiberlich's comment that the key is to make it cost-effective for cargo to move through a port. He suggested that it was time for the railroads to provide the type of service necessary to make it more cost-efficient for goods to move through North Carolina's ports. Representative McComas pointed out that both Norfolk Southern and CSX have multi-million dollar, state-of-the-art facilities in Norfolk, Hampton Roads, and Charleston; any movement of cargo through North Carolina's ports has an impact on those facilities.

January 31, 1996

On the morning of January 31, 1996, the meeting began with a report from Senator Hoyle who chaired the subcommittee on the NCSPA audit. The subcommittee had determined that the difference between the State Auditor's figures and the NCSPA's were simply a difference in accounting procedures. As to the need for an independent audit of the NCSPA, the subcommittee determined that the NCSPA was currently issuing bonds on the strength of the State Auditor's reports; however, if an independent audit were needed in the future for a bond issue or for any other purpose, the NCSPA currently possesses the statutory authority to obtain such an audit.

The Commission next engaged in a roundtable discussion with six members of the Ports Advisory Council (PAC), a group composed of companies who use the State ports. Mr. Clyde Davis of PCS Phosphate (formerly TexasGulf), the current chair of the PAC, began by stating that the ports are vital to the future of the companies represented by the PAC members. He felt that the ports desperately need long-term planning and a means of funding infrastructure.

Mr. Phil Harrell of Dimon International next gave a brief history of the formation of the PAC, which originated in 1989 with a group of importers and exporters who were concerned that the future of the NCSPA was deteriorating. They were supported in their organizing efforts by both the NCSPA Board and the Governor. The purpose of the PAC is to provide a resource for information, expertise, advice, and user support for the benefit of the NCSPA in increasing steamship line service and cargo activity at the ports, and to act as an instrument of the NCSPA to facilitate planning and provide private sector and user-based assistance regarding the general concerns and interests of the NCSPA. It also endeavors to advise the NCSPA in matters the PAC deems important to the well-being of the ports in the international trade network.

Mr. Harrell described the PAC's concentration on methods for attracting more of North Carolina's industries to its ports, since only about 20% of North Carolina's businesses use them. Their successes have also included the attraction of a South American shipping line to Wilmington and persuading Turkish Cargo Line to relocate from Norfolk to Wilmington; unfortunately, those lines have since stopped calling at the ports as a result of the "load-centering" phenomenon that has developed over the last twenty years. Load-centering involves minimizing the number of ports that a shipping line calls on, and has also resulted in the actual sharing of vessel space by lines, which means that negotiations often involve not a single steamship line, but several.

Mr. Harrell concluded by stating that North Carolina's ports need improved rail and highway access in order to be competitive in the global market. Mr. William Emerson, Commission member and President of Wilmington Shipping, commented that the NCSPA is trying to compete "with one hand tied behind its back." He explained that we have some of the largest shippers in the world operating in this State, but can't provide satisfactory rail and highway access to our ports. Mr. Emerson and Cochair Danny McComas agreed that intermodal rail service was critical to the success of our ports.

Mr. Charles Baldwin, Manager of Import/Export Services for R.J. Reynolds, explained that his company liked to use the North Carolina ports, but that they are dependent on the steamship lines calling at the ports. Mr. Jack Tilley, a sales consultant with Wilmington Shipping, stressed the need for State funding for ports improvement and for improved rail service.

Mr. Sam Holcomb, President of Morehead City Terminals, Inc., spoke next. Mr. Holcomb's company runs the woodchip facility at Morehead City. He stressed the need for a reliable highway system into Morehead City with a minimum number of stoplights. He also listed three areas in which the ports need assistance from the State:

- (1) Some dedicated source of annual funding which will allow the NCSPA to work from a multi-year planning basis;
- (2) Dredging funds from the State through the Department of Environment,

Health, and Natural Resources;

(3) Development of the ports infrastructure.

The other members of the PAC agreed, and added improvements in rail and highway access to that list.

Discussion ensued, in which the Commission members expressed the view that the State ports had been largely underappreciated and their potential not fully acknowledged. They voiced the hope that this Commission could somehow convince the Governor and the General Assembly that the State ports represent tremendous potential for economic development.

Mr. Emerson raised the question of why Virginia, South Carolina, and other surrounding states were investing State funds in port development and North Carolina is not. Representative McComas wondered whether there was excessive concern with whether the NCSPA makes money instead of focusing on the economic impact of the ports on the rest of the State. Mr. Stromberg responded by acknowledging that activity at the ports create more jobs in the mountains and the Piedmont than in the coastal region of the State. Mr. Stromberg also asked the Commission to be very careful in defining goals for the Ports Authority; he cautioned that there are things that can be accomplished and things that cannot be. To become "another Charleston," for instance, would require more investment from the State than could be justified.

Senator Perdue questioned whether changes might be made to the composition of the NCSPA Board in order to depoliticize it and ensure that its members have sufficient background in international trade and finance. Mr. Emerson suggested that the Governor would be the best salesperson for the ports; Senator Perdue suggested that a delegation from the Study Commission might attempt to arrange a meeting with the Governor to solicit his increased support for the ports.

Mr. William Goldston, Chair of the NCSPA Board, suggested that one potential source of dedicated funding for the ports is the dividends from the recently renegotiated North Carolina Railroad Company lease. Those dividends are currently subject to an annual appropriation to the Department of Transportation to be used for railroad purposes. However, the renegotiation of the lease with Norfolk Southern will mean that those dividends will be valued at more than \$5 million annually, as opposed to the approximately \$250,000 annually in past years.

January 31, 1996 - With Joint Legislative Transportation Oversight

On the afternoon of January 31, the Commission held a joint meeting with the Joint Legislative Transportation Oversight Committee to share its concerns over transportation issues at the ports. Mr. Erik Stromberg began by stressing the need for improvement to the highway and rail infrastructure at the ports if the ports are to operate efficiently and to their fullest potential. With regard to the highways leading to the Morehead city port, Mr. Stromberg noted that the biggest problems with US 70 and NC 24 are that they lack bypasses around the cities along the corridor. He maintained that bypass capability is essential in view of the quick turnaround time required for international shipments. He also expressed two key concerns regarding rail access to the Morehead City port: the fact that there is only one Class I railroad serving the port (Norfolk Southern),

and the need for a replacement to the Radio Island trestle before that resource can be used to expand services at Morehead.

Mr. Stromberg listed several highway access concerns at the Wilmington port. There is no bypass around the city to the the port; I-40 ends at NC 132 (College Road), channeling trucks bound for the ports into one of the busiest sections of Wilmington. Also, US 70, the main corridor between the port and Charlotte, becomes two-lane 50 miles outside of Wilmington. There are few bypasses on this highway; many are contained in DOT's current Transportation Improvement Plan, but it will take many years to complete them. He also noted that if US 421 from the Triad area were widened to four-lane, it might be more useful to traffic originating in the Greensboro area. As for rail access, he again stressed that only one Class I railroad served the Wilmington port (CSX), with no competition, and the port also suffers from low speed limits in many parts of the State. In addition, Wilmington is the only major port without direct intermodal rail service for containers.

Mr. Stromberg summarized by describing highway access to both ports as adequate at best. He considers the rail access to the ports to be less than adequate because there is only a single Class I railroad serving each port and due to the lack of intermodal service at Wilmington.

Secretary of Transportation Garland Garrett addressed the joint meeting next, and expressed his Department's commitment to working with the NCSA to improve conditions at the ports. Mr. Calvin Leggett, Director of Planning and Programs with the Division of Highways, introduced Mr. Paul Coch and Ms. Debbie Hutchings with DOT's Statewide Planning Board, to address DOT's long-range plans for the ports. After reviewing the major routes and traffic patterns in the Wilmington area, Mr. Coch explained that a survey conducted by DOT had indicated that 50% of the truckers accessing the port used NC 74/76; their major complaints were the necessity of traveling through the city, the major delays due to city congestion, and the poor paving on Front Street (which had since been improved). Major projects for Wilmington which will improve access to the ports include Smith Creek Parkway (currently under construction) and the US 17 bypass. Ms. Hutchings reviewed the major routes into Morehead City, and listed two major projects currently underway: the widening of NC 24, and the Bridges Street extension, which will provide a parallel route to US 70. Projects for the Morehead area that are included in the TIP, but not yet started, include a northern bypass and the Radio Island trestle.

Mr. Robert Grabarek of DOT's Rail Division spoke next. After reviewing rail access to the ports, Mr. Grabarek explained the Division's industrial rail access program, which provides incentives to businesses for locating or expanding to North Carolina by assisting in the construction of rail access tracks to their facilities.

Mr. Larry Goode, State Highway Administrator, next provided an update on construction of the Radio Island trestle. Legislation from the 1995 Session directed DOT to commence construction during calendar year 1996. Mr. Goode told the Committee that he planned to meet with the Executive Director of the NCSA and the Chair of the NCSA Board to work out the details, and the goal was to begin construction of the trestle in July 1996.

Finally, Mr. Durwood Laughinghouse of Norfolk Southern expressed that company's commitment to the State Ports and its willingness to listen to any proposal made by the NCSPA to enhance rail service to the ports.

Tour of Charleston and Savannah Ports

On March 11 and 12, 1996, the staff and five members of the Commission travelled to Charleston and Savannah to tour the port facilities in those cities.

Charleston

In Charleston, the group met with Mr. W. Don Welch, the Executive Director of the South Carolina Ports Authority (SCSPA) and toured the Union Pier, Columbus Street, and Wando terminals as well as the CSX and Norfolk Southern intermodal facilities north of Charleston. Mr. Welch described the SCSPA as a "stand-alone", quasi-State agency, which reports directly to the General Assembly and is not part of a State department or the Governor's office. All nine members of its Board are nominated by the Governor and confirmed by the State Senate, and serve seven-year terms. The members are drawn from the State's business community, and the Board elects its own officers, rather than have them appointed by the Governor. According to Mr. Welch, the Board limits itself to policy decisions; it does not make operating decisions. The Board members make very few sales trips, as the SCSPA prefers to rely on its professional sales staff.

The SCSPA is also exempt from South Carolina's purchasing and contracting requirements, though Mr. Welch stated that it complies with the "purpose and intent" of those requirements.

The SCSPA was created in 1942, and in 1949 the SC General Assembly provided the Authority with \$21 million in capital and operating funds; the State has provided the SCSPA with a total of about \$100 million in capital since its inception. However, there have been no operating funds appropriated since 1959, and the last capital appropriation was made in 1974. Since then, all capital funds have been generated from the earnings of the Authority; annually, between \$14 and \$20 million in earnings is used for capital. Certain specific capital projects have been financed through general obligation bonds issued by the SCSPA and secured by the full faith and credit of the State of South Carolina. The SCSPA does rely on the outside auditing firm of Ernst and Young in obtaining the proper certification to issue bonds. Mr. Welch explained that the SCSPA had entered a written agreement with the SC General Assembly stating that the Authority would not be requesting any more appropriations from the State.

Mr. Welch explained that in 1972, both CSX and Norfolk Southern spent between \$1 and \$1.5 million to improve their yards for the handling of container cargo. He stated that approximately 22% of the containers moving through the port move by rail; one train per day goes to both Charlotte and Atlanta. The port also benefits from its close proximity to the interstate system (I-26, I-95), and Mr. Welch explained that the SCSPA contributed funding for the construction of the I-526 loop around Charleston.

Mr. Welch explained that he considered the true "customer" of the SCSPA to be the steamship lines serving the port. Because of the relatively recent

deregulation of the transportation industry, the concept of "load-centering" has taken hold. He compared this phenomenon to the development of airline "hubs". The steamship lines aren't particularly interested in which port they move through, but determine where to call based upon the proximity to their customers.

While the SCSPA is exempt from the State Personnel Act, Mr. Welch stated that it pays locally competitive wages and salaries. Every three years, a consulting firm resurveys the the market and recommends compensation adjustments. The SCSPA is also exempt from South Carolina's purchasing and contracting requirements, though Mr. Welch stated that it complies with the "purpose and intent" of those requirements.

Mr. Welch suggested that, in determining its future direction, the NCSPA should evaluate its assets and what it can reasonably expect to accomplish, then determine who its potential customers are. By comparing the strengths of the NCSPA with the market for the services it can provide, the NCSPA can find its niche. After making this determination, he suggested that the ports turn to the State for assistance it making the most of that niche.

Savannah

In Savannah, the group met with the staff of the Georgia Ports Authority (GPA) and toured the facilities at the Garden City and Ocean terminals. Deputy Executive Director Richard "Chud" Field introduced a large contingent of the GPA staff, and the meeting began with a video describing the GPA and its operations. The responsibility of the GPA is to manage and development not only the State's deepwater ports at Savannah and Brunswick, but also two river barge terminals. According to the video, the ports of Georgia collectively handle more than 15 million tons of cargo annually and this movement of cargo create 63,000 jobs throughout the State and more than \$189 million in state and local taxes. The video emphasized that of the 63,000 jobs spurred by ports, 55,000 are not located at the ports, but spread throughout Georgia. The GPA has prepared for the new, larger cargo vessels by deepening the Savannah River channel to 42 feet and by replacing an obsolete bridge at Brunswick which had been declared an obstruction to navigation.

Director of Administration Ray Smiley then explained the organizational structure of the GPA. It was created in 1945 and is governed by a nine-member board appointed by the Governor to four-year terms. According to Mr. Smiley, the GPA is not housed under, or required to report directly to, a state department, but it shows up in the State budget in the Governor's office under the heading "Industry and Trade." The GPA has 626 employees; they are officially "State employees," but benefits are provided by the GPA rather than the State. The GPA is not required to follow the State of Georgia's purchasing and contracting procedures, but it obtains approval from its board for all purchases over \$5,000, and purchases of over \$10,000 are accomplished by sealed bid. The GPA owns approximately 7,000 acres of land, both developed and undeveloped, and is exempt from the payment of property taxes. Container cargo accounts for 62% of the total volume of cargo moving through the Georgia ports. The GPA's largest export commodity is kaolin clay, followed by forest products.

At the present time, there is no formal group of ports consumers comparable to the Ports Advisory Council which provides input to North Carolina's ports (South Carolina does have its own Ports Advisory Council).

Mark Troughton, a sales manager in Trade Development, next described the workings of that office. The GPA has offices in Atlanta, New York, Athens, Oslo, and Tokyo, with a new office opening in Buenos Aires. Trade Development's objectives are to build sales volume and increase the ports' profits, while holding down costs.

Fitz Hiltzheimer, Director of Operations, next described the seven facilities maintained by the GPA: the Garden City Terminal (containers, breakbulk, bulk) and Ocean Terminal (containers) in Savannah, Mayor's Point Terminal (breakbulk), Colonel's Island Terminal (vehicle import/export, bulk), and Marine Port Terminals, Inc. (breakbulk, bulk), in Brunswick, and the Bainbridge and Columbus barge terminals. He described the Georgia ports as basically "operating" ports, as opposed to "landlord" ports, which immerses them in the business of their customers. However, the GPA does have two state-owned properties that are totally leased-out, the automobile import/export facility at Colonel's Island and the facility at Marine Port Terminals, Inc. Unlike North Carolina, the GPA competes with several private enterprises which operate their own port facilities, such as Georgia Pacific, which handles forest products.

Mr. Chuck Parkinson, Director of Finance, explained that the GPA is financed by four different means: 1) general obligation bonds secured by the full faith and credit of the State of Georgia, as part of an overall bond issue by the State; 2) bonds issued by the GPA itself, with the approval of the Georgia State Finance and Investment Commission; 3) bank lines of credit; and 4) internal funding from the GPA's own earnings. The GPA was presently paying back \$206 million in general obligation bond debt owed to the State; it also owed \$7.8 million in its own bonds and had \$8.1 million outstanding from lines of credit.

Georgia has no constitutional provision requiring general obligation bonds to be approved by referendum. However, they must demonstrate an ability to pay off the indebtedness, and the GPA must provide the Georgia Office of Planning and Budget with detailed information about the projects funded by this method, including information about the economic activity and the number of jobs to be generated by a particular project. Over the years, the GPA has borrowed over \$300 million through general obligation bonds secured by the State of Georgia, and has thus far paid \$175 million of it back.

Through 1989, the GPA was audited annually by both a "Big Six" accounting firm and by the State Auditor. However, in 1989, the State decided that the two audits were duplicative and determined to accept the private audit. However, Mr. Parkinson confirmed that the audit by a private firm was essential when issuing bonds; the State Auditor's report was not sufficient.

The final speaker was Mr. Charles Griffen, Director of Port Planning and Harbor Development, the arm of the GPA responsible for interacting with the state, local, and federal government. This includes coordination and cooperation with such entities as the Army Corps of Engineers and the Environmental Protection Agency.

The Port Planning and Harbor Development Division also is in charge of developing and maintaining a ten-year strategic plan. In the course of developing this plan the port conducted a statewide tour in 1990, meeting with chambers of commerce and emphasizing that "every city in Georgia is a port city." The Division was also instrumental in establishing an intermodal task force which seeks to ensure the safe and efficient movement of truck and rail around the ports.

Mr. Griffen stated the mission of the GPA as the promotion of agriculture, industry, and natural resources by bringing new and greater economic benefit for people, communities, and business in Georgia. The GPA also prides itself in trying to be environmentally sensitive.

After touring the facilities, the GPA staff provided encouragement for the future of the North Carolina ports. They see North Carolina as being at the same stage of development as the GPA was ten years ago and the SCSPA was twenty years ago. Like Mr. Welch in Charleston, the GPA staff encouraged the NCSPA to find its niche and develop its infrastructure to take advantage of that niche.

Mr. Field referred to Radio Island as the best piece of undeveloped port property on the east coast, primarily due to its proximity to the open sea. He referred to the findings of a recent study by the Army Corps of Engineers which forecasts substantial increases in the volume of containerized freight movement through South Atlantic ports. That study indicates that "under the current productivity pattern of the existing facilities at the region's ports, there would not be sufficient capacity to meet the increase in additional cargoes beyond the year 2000." The GPA staff sees this as an excellent opportunity for North Carolina to take advantage of growth that the other South Atlantic ports will not be able to expand fast enough to fully accommodate.

Meeting on April 29, 1996

The Commission met in Raleigh on April 29, 1996. Erik Stromberg began the meeting by introducing five members of his staff to explain the functions of the various divisions of the Ports Authority staff. Ms. Karen Fox, Director of Public Affairs, began her discussion by playing a video describing the Ports Authority and its operations. She explained that the video is primarily used for business development, especially the targeting of new shipping lines to use the North Carolina Ports. The function of the Public Affairs Department is to "enhance the image and visibility of the Ports Authority on a world, national, state, and local basis" through public relations and the development of public awareness.

The Director of Administration and Finance, Mr. Tommy Green, next explained the organizational structure of the Ports Authority: the Governor appoints the Chairman and five members of the Board, in addition to the Secretary of Commerce, who serves by virtue of the office; the legislative leadership appoints the remaining four members; the Board appoints an Executive Director; the Executive Director hires other employees. At that time, the Authority had 295 full-time employees.

Ms. Sarah Gaillard, Director of Business Development, then described the workings of that office. She explained that the function of the Business Development Department is to "identify and target those services which North

Carolina importers and exporters need most to facilitate their success and growth in international markets, to work with coordinating agencies to attract new industry to the State, and to 'grow' the revenues of the Authority."

The field sales staff, she explained, work directly with importers and exporters to identify their present and potential international transportation needs; they also serve as "supplemental" sales force to steamship lines calling at the Ports. The sales managers target specific lines of business - container liner operators, breakbulk and bulk operators, and specialty industries, such as perishables markets; they match the identified needs of importers and exporters with international transportation providers. The market research and tariff and sales administrator supports the field sales staff and managers in identification of new customers, provide market analysis and reports for presentation to potential carriers, monitor pricing at competing ports, and administer contracts and tariffs of the Authority. Contract sales agents provide representation of the Authority in the northeastern U.S., Chile, Japan, and Korea. Finally, Ms. Gaillard explained, her duty as the Director of Business Development is to establish, in cooperation with the Executive Director, the goals and initiatives of the Department, and to staff and manage the Department in order to meet those goals.

The final Ports staff members to speak were Mr. Pete D'Onofrio, Director of Operations, and Mr. Don McMahan, Director of the Morehead City terminal. They reviewed the general facility characteristics, annual vessel/barge calls, and the major cargo groups and tonnages at each port. They also listed the critical infrastructure improvements that are required at each terminal. At the Port of Wilmington, the critical needs are the replacement of aged gantry cranes, the rehabilitation of deteriorated berths, and construction of an additional dry bulk storage complex. At the Port of Morehead City, the needs are the purchase of contiguous property for expansion, the replacement of the rail trestle to Radio Island, the development of a marine terminal on Radio Island, the construction of additional dry bulk storage, and the refurbishing of two gantry cranes.

Mr. Sterling Brockwell of Moffatt and Nichol Engineers, next reviewed a preliminary draft of the Ten-Year Master Capital Development Plan that was being finalized by his firm at that time (The final version of the Plan was presented at the September 30 meeting). Finally, the Commission reviewed and approved a draft report prepared by the staff for submission to the 1996 Regular Session of the General Assembly. The report recommended that the General Assembly extend the Commission and allow it to make its final report to the 1997 General Assembly.

September 30, 1996

On September 30, 1996, the Commission held its first meeting after adjournment of the 1996 Regular Session of the General Assembly. Section 26.10 of Chapter 18 of the Session Laws of the 1996 Second Extra Session was enacted on August 1, 1996, and authorized the Commission to make a final report upon the convening of the 1997 General Assembly.

The meeting began with a presentation of the completed Ten-Year Master Capital Development Plan by Mr. Sterling Brockwell of Moffatt and Nichol Engineers. The State Ports Authority had retained the firm in May of 1995 to prepare the Plan in concert with Martin and Associates, Wilbur Smith Associates, and Culwell Engineering, Inc. The finished Plan had been presented to and

accepted by the Board of the State Port Authority on June 10, 1996. Mr. Brockwell's presentation to the Commission and the Executive Summary of the Plan are contained in Appendix G.

The Commission next recognized Mr. Charles Case of Hunton and Williams, and Mr. Donald Liverman, President of Almont Shipping Company in Wilmington. Mr. Case explained that Almont Shipping, a bulk shipping company, is the only port other than the State Ports operating in North Carolina. Mr. Case stated that, while Almont would like to see the State Ports become more successful, the company is concerned about the portion of the Master Capital Plan calling for the creation of a bulk handling facility at the Wilmington Port, because it does not believe that sufficient bulk business exists to support two large general purpose bulk facilities. Mr. Liverman stated that Almont handles about 65% of the bulk business in the State, and he did not believe that the State Ports could develop a successful bulk operation in Wilmington without threatening those businesses already handling bulk cargo. He did, however, state that if the State Ports intended to pursue an investment in bulk cargo, he would be willing to entertain a public/private venture with the State.

Mr. Warren Plonk, Fiscal Analyst with the Fiscal Research Division, responded to the Commission's request for a list of possible options for a permanent funding source for the Ports. He discussed several possibilities, beginning with an explanation of the workings of the escheat fund and the procedure for obtaining funding from the statewide repairs and renovation fund. He mentioned the possibility of a funding mechanism using a percentage of the unreserved credit balance. He also discussed the possibility of appropriating a portion of the dividends from the N.C. Railroad Company, but noted that this might be unworkable at the present time because of litigation involving the renegotiated lease. He mentioned the availability of the five-dollar vehicle registration fee in New Hanover County, and concluded by suggesting the possibility of establishing a fund by earmarking a percentage of either the corporate income tax or the tobacco tax. After briefly discussing these possible options, the Commission decided not to endorse any of them at that time.

Representative Danny McComas, Cochair, next addressed the issue of a potential restructuring or depoliticizing of the Board of the State Ports Authority. The options discussed were 1) having the Board elect all its own officers rather than have the Governor appoint the chair and vice-chair (this is the case in Virginia, South Carolina, and Georgia); 2) substituting the Secretary of Transportation for one of the Governor's appointees to the Board; 3) providing for confirmation of appointees by the General Assembly, as South Carolina and Georgia currently do; 4) eliminating the statutory language suggesting and recommending that no members of the Board be domiciled in a legislative district where a port is located; 5) changing the legislative appointments to the Board to four-year terms, staggered so that one of the Speaker's appointments and one of the Pro Tem's appointments expire every two years, giving each Speaker and President Pro Tem one appointment per term; and 6) changing the appointment cycle of the six Governor's appointees to coincide with the term of the Governor, as is the case with the legislative appointees. After some discussion, none of the options were endorsed by the Commission.

November 25, 1996

The Commission met in Raleigh on November 25, 1996, to begin formulating its recommendations to the 1997 General Assembly. The meeting began with a presentation by Dr. Gary Shoesmith, Associate Professor and Director of the Center for Economic and Banking Studies at the Babcock School of Management at Wake Forest University, on the economic impact of the North Carolina State Ports. Dr. Shoesmith prepared an Economic Impact Study for the Ports dated February 20, 1995, and is currently preparing an update. His studies provide information on what he characterizes as direct impacts, indirect impacts, and induced effects produced by activities at the Ports; these impacts and effects are attributed separately to three different sources: port industry, port capital spending, and local port users. These terms are defined and the impacts enumerated in the copy of his presentation to the Commission is found in Appendix H.

After Dr. Shoesmith's presentation, Representative McComas asked him if he could quantify the resulting economic benefits to the State of a tax credit given to railroads based on the increase in tonnage hauled by those railroads to and from the State Ports. Dr. Shoesmith responded that those benefits could indeed be quantified, and commented that that kind of incentive would certainly be worth attempting. He also verified that the inadequate rail service to the Ports was having a detrimental effect on business at the Ports; users of other ports have mentioned it as a factor in the surveys he has conducted in preparing his studies.

-Resolution of issues and determination of final recommendations-

Mr. Walker Reagan, Staff Attorney in the General Research Division and Commission Counsel, next outlined the issues for resolution by the Commission in determining its final recommendations and presented, for purposes of discussion, some possible ways to address those issues in the final report. The first issue before the Commission was the need for reliable sources of funding for repairs and renovation and for capital needs. Repairs and renovation needs could be addressed in one of two ways: the Ports can either continue to rely on the process in which all State agencies apply for allocation from the Statewide repairs and renovation fund, or the Commission could recommend the establishment of a separate repairs and renovation fund solely for the State Ports. However, the staff had concluded from discussions with the Commission CoChairs, the Office of State Budget and Management, and others knowledgeable about the process that such a separate fund would be met with much resistance, and would be viewed as setting a precedent after which other agencies could be expected to begin asking for similar favored status. Therefore, Mr. Reagan suggested that this might not be a viable option.

The second and foremost funding issue was a reliable, dedicated source of capital funding for the Ports. Mr. Reagan mentioned as options 1) the establishment of a State Ports facilities improvement fund by the earmarking of a portion of corporate income tax collections, or 2) the use of Highway Fund money. An alternative would be the annual appropriation of funds by the General Assembly for capital needs, but such an approach would not provide the Ports Authority with the important advantage of a dedicated funding source: the ability to rely on a predictable income stream to support bond indebtedness. He noted that, since the use of Highway Fund money would represent a dramatic change in the existing

philosophy behind the use of those funds, the earmarking of corporate income tax collections was probably the better recommendation.

The next issue for resolution was the problem of inadequate transportation access to the Ports, by either highway or rail. Mr. Reagan reminded the members that prior Commission meetings had produced concern about the level of attention given by the Department of Transportation to the transportation needs of the Ports. Several options for resolving this situation had been suggested: the transfer of the Ports Authority to the Department of Transportation, the placement of the Secretary of Transportation on the Ports Authority Board, or the placement of the Chair of the Ports Authority Board on the Board of Transportation.

None of these options had been favorably received by the Commission during its meetings. However, the staff had worked with the CoChairs to develop a draft bill designed to encourage the Department of Transportation to place more emphasis on the role of the State Ports within the State's transportation system. This bill would have first directed the Department 1) to determine effective methods of expediting highway improvements that would establish landside access to the State Ports meeting the maximum capacity of the ports and 2) to determine methods of reducing travel times to the Ports in ways that will enable them to compete with the ports in Charleston and Norfolk for users that are geographically as near or nearer to the North Carolina Ports.

The draft would also have provided that the Transportation Improvement Plan (TIP) would include and specify highway and rail improvements to improve landside access to the State Ports as a means of maintaining and expanding the role of the Ports as part of the transportation system. Finally, the draft would have authorized the Joint Legislative Transportation Oversight Committee to review the operations of the State Ports Authority and to review the priorities and expenditures of the Department of Transportation to ensure that they reflected the State Ports' role as a vital part of the State's transportation system.

Mr. Reagan then turned to the issue of rail access, which he noted had been a very frustrating issue for the Commission throughout its meetings. The State does not provide funding to the railroad industry, and the industry had been consistent in contending that it will provide additional service to the Ports once it feels there is additional business to be had there. Therefore, the Commission has been left to determine methods of encouraging the railroads to increase service to the Ports. Mr. Reagan noted that one suggested option is to "take the cargo to the railroads" by having the Ports Authority run its own rail up to some inland location such as the Global TransPark or Selma. Another suggested approach was some sort of tax incentive or tax credit to encourage the railroads to increase service to the Ports. This might be accomplished by the method discussed earlier by Representative McComas and Dr. Shoemith: basing a tax credit upon the increase in tonnage carried to and from the Ports by a railroad.

The final area needing resolution was one the staff had categorized as "governance." Mr. Reagan explained that this was really a collection of issues regarding Ports operations that had received support at some point from the Commission or the Ports staff, and were being revisited for a determination of whether to include them as recommendations in the final Commission report. The first of these proposals was the requirement that at least one member of the Ports

Authority Board be representative of the North Carolina businesses using the State Ports.

A second proposal was to provide the State Ports with exemptions from the General Statutes applying to contracts for projects and contracts for public buildings. Another was to remove the February 1998 sunset on the Ports Tax Credit and to raise the maximum cumulative credit from \$1 million to \$5 million.

Mr. Reagan concluded his comments by reiterating that the staff was not recommending or endorsing any of these options, but was simply presenting them to the commission for purposes of discussion.

The Commission then entered a full discussion of the issues presented, and determined to make the recommendations beginning on page 22 of this report. It agreed that a separate repairs and renovation fund would be difficult to justify. It favored the recommendations of a bill earmarking 1% of the corporate income tax for capital improvements and an alternative bill appropriating \$10 million during both years of the 1997-99 biennium for the same purpose.

A bill to include a port user on the Ports Board was also approved, with "user" to be clearly defined as a major exporter or importer currently using the State Ports. The proposal to exempt the Ports Authority from purchasing and contracting requirements was approved on the condition that large expenditures not going through the State process must be reported to the Joint Legislative Commission on Governmental Operations. The Commission also agreed to recommend the repeal of the sunset on the Ports Tax Credit and the increase of the cap amount on that credit from \$1 million to \$5 million.

The Commission also requested the inclusion of recommendations that the General Assembly support legislation providing a tax credit to railroads corresponding to any increase in the tonnage shipped to or from the Ports and that the General Assembly continue to appropriate the State share of funding for dredging at both Ports.

The Commission determined not to include in its report the bill aimed at encouraging the Department of Transportation to give greater emphasis to the role of the Ports Authority in the State's transportation system.

January 27, 1997

On January 27, 1997, the Commission approved the contents of this report.

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION ONE: That the General Assembly provide the State Ports Authority with a dedicated source of funding for capital improvements, and that the General Assembly accomplish this by enacting the bill found in Appendix B, which would direct the State Controller to credit an amount equal to one percent of the corporate income tax collections to a State Ports Facilities Improvements Fund to be used by the Port Authority for capital improvements to the facilities and infrastructure owned by the Ports Authority. One percent of the corporate tax collections would amount to an estimated \$10 million annually.

The Commission's primary finding is that the State Ports Authority needs a dedicated source of annual funding for capital improvements. The Ports Authority funds its operational costs from its own revenues, and has traditionally relied on State funding only for capital projects. However, the last major contribution made by the General Assembly to the Ports Authority was an appropriation of approximately \$32.7 million made during the 1987-88 fiscal year. In the years since, the Ports Authority has received a total of only about \$900,000 from the State. During this period, not only have competing ports received significant state-contributed capital funding, but the infrastructure at the North Carolina Ports has suffered significant deterioration.

Considering the impact of State Ports activities on both the economy of the State and the State's tax revenues, the Commission finds that this State needs to improve its support for its investments in Wilmington and Morehead City. The Ports Authority has recently released a Ten-Year Master Capital Development Plan which is designed to increase the capacity at both ports for handling the forecasted amount of cargo and make it more likely that current steamship lines will continue to call. The Plan would provide upgraded and modernized infrastructure and improve cargo handling and rail safety. However, because of the fluctuating nature of the Ports Authority's revenues, those funds do not provide a satisfactory basis for the issuance of bonds to support capital construction costs. A dedicated source of revenue would enable the Ports to repay bond obligations from the dedicated funds as well from future revenues.

After reviewing the few available options, the Commission has determined that the establishment of a State Ports Facilities Improvement Fund from a small percentage of corporate income tax collections seems to be the most workable approach. However, the Commission recognizes that the General Assembly may find that another source of funding is more acceptable and encourages the General Assembly to explore all possible options in order to provide the State Ports Authority with the funding for capital improvements that are so vital to its success.

RECOMMENDATION TWO: That, as an alternative to Recommendation One, the General Assembly enact the bill found in Appendix C, which would appropriate \$10 million to the State Ports Authority during each year of the 1997-98 biennium for capital improvements.

The Commission finds that, as an alternative to the dedicated source of funding called for in Recommendation One, the State Ports Authority will need funding for capital improvements in order to begin implementing its Ten-Year Master Capital Development Plan. The Commission further finds that failure to begin implementation of the Master Capital Development Plan will mean the further deterioration and obsolescence of State Port facilities and may risk the loss of shipping lines currently calling at the Ports.

RECOMMENDATION THREE: That the General Assembly enact the bill found in Appendix D, which would provide that at least one of the Governor's appointees to the Ports Authority Board must be affiliated with a major importer or exporter using the State Ports.

The Commission finds that the presence of a major importer or exporter using the State Ports on the Ports Authority Board will provide the Board with greater insight into the needs of Ports users. It might also allow for a more direct line of communication between the Ports Board and the Ports Advisory Council, a group composed of importers and exporters currently using the State Ports that was formed in 1989 to provide a resource for information, expertise, advice, and user support for the Ports Authority.

RECOMMENDATION FOUR: That the General Assembly enact the bill found in Appendix E, which would exempt the State Ports Authority from the General Statutes applying to contracts for projects and contracts for public buildings.

Because of the unique nature of the State Ports' contract and service needs, and because of the urgency often required to make major repairs to the State Ports' structures and equipment, the Commission finds that the State Ports Authority should be given more flexibility to act as an autonomous body and should not be subject to all the restrictions placed upon State agencies under the Purchase and Contract statutes. The State Ports are different from most State agencies, whose success is not dependent upon an ability to interact in the private sector. The Commission further finds that exempting the Ports Authority from State purchase and contract procedures will enable the Authority to make greater use of opportunities that necessitate immediate responses not possible under those procedures. Because contracts and purchases have to be approved by the Ports Authority Board and the records and operations of the State Ports are subject to audit by the State Auditor, sufficient safeguards are in place to ensure that this flexibility will not be abused. By requiring that matters in excess of \$250,000 be reported to the Joint Legislative Commission on Governmental Operations, these transactions will be subject to proper legislative oversight and public scrutiny.

RECOMMENDATION FIVE: That the General Assembly enact the bill found in Appendix F, which would repeal the February 28, 1998 sunset on the State Ports Tax Credit and raise the individual cap on that credit from \$1 million to \$5 million.

The Commission finds that the tax credit allowed for use of the North Carolina State Ports has served as an effective incentive to potential ports users who might otherwise have elected to use the ports of a neighboring state instead. The tax credit was originally enacted in 1991 and expanded in 1995 to include importers as well as exporters. Annual reports issued by the Ports Authority, as required by the legislation enacting the tax credit, show steady increases in cargo tons and cargo fees at the State Ports and increases in jobs created at the State Ports and in ports-related businesses since the tax credit was enacted. The reports also indicate that income produced and state and local taxes generated since the enactment of the credit greatly outweigh the dollar value of the tax credits granted.

RECOMMENDATION SIX: That the General Assembly appropriate funds necessary to provide the State's share for dredging at the State Ports during the 1997-99 biennium, and that the General Assembly continue to provide the funds necessary to maintain the necessary channels depths at the State Ports.

The Commission finds that maintaining the necessary channel depths at the Wilmington and Morehead City terminals is crucial to the continued success of the State Ports. Without proper channel maintenance, the exporting and importing of goods and commodities through the State Ports could not continue. The Commission furthers finds that neither State Port is competitively disadvantaged with respect to other ports by its distance from the open sea, and that the Morehead City Port benefits from direct access to the open sea. However, the Commission finds that both Ports will need the continued support of the General Assembly to prevent channel depth from placing them at a competitive disadvantage.

RECOMMENDATION SEVEN: That the General Assembly consider legislation that would provide a tax credit for rail services to the Ports to a railroad based upon the increase in tonnage or containers, as appropriate, hauled by rail to and from the State Ports.

The Commission finds that if a tax credit or other tax incentive could be fashioned to encourage Norfolk Southern, CSX, or any other railroad to increase their service to the State Ports, the State of North Carolina, as well as the State Ports, would recognize tremendous economic benefits. The Commission finds that the State Ports suffer from a competitive disadvantage with respect to other ports because of the lack of adequate rail service to either Morehead City or Wilmington. The Commission believes that the tax revenues arising from from increased business brought to the Ports as a result of improved rail service will more than offset the revenues lost as a result of the tax credit.

The Commission recognizes that the State does not provide funding to the railroad industry and that the railroads have been consistent in contending that they cannot justify additional service to the State Ports until there is an actual increase in demand for that service. Therefore, a tax incentive might be the only means of establishing the level of rail service needed to attract the new shipping lines and ports users that will stimulate economic growth.

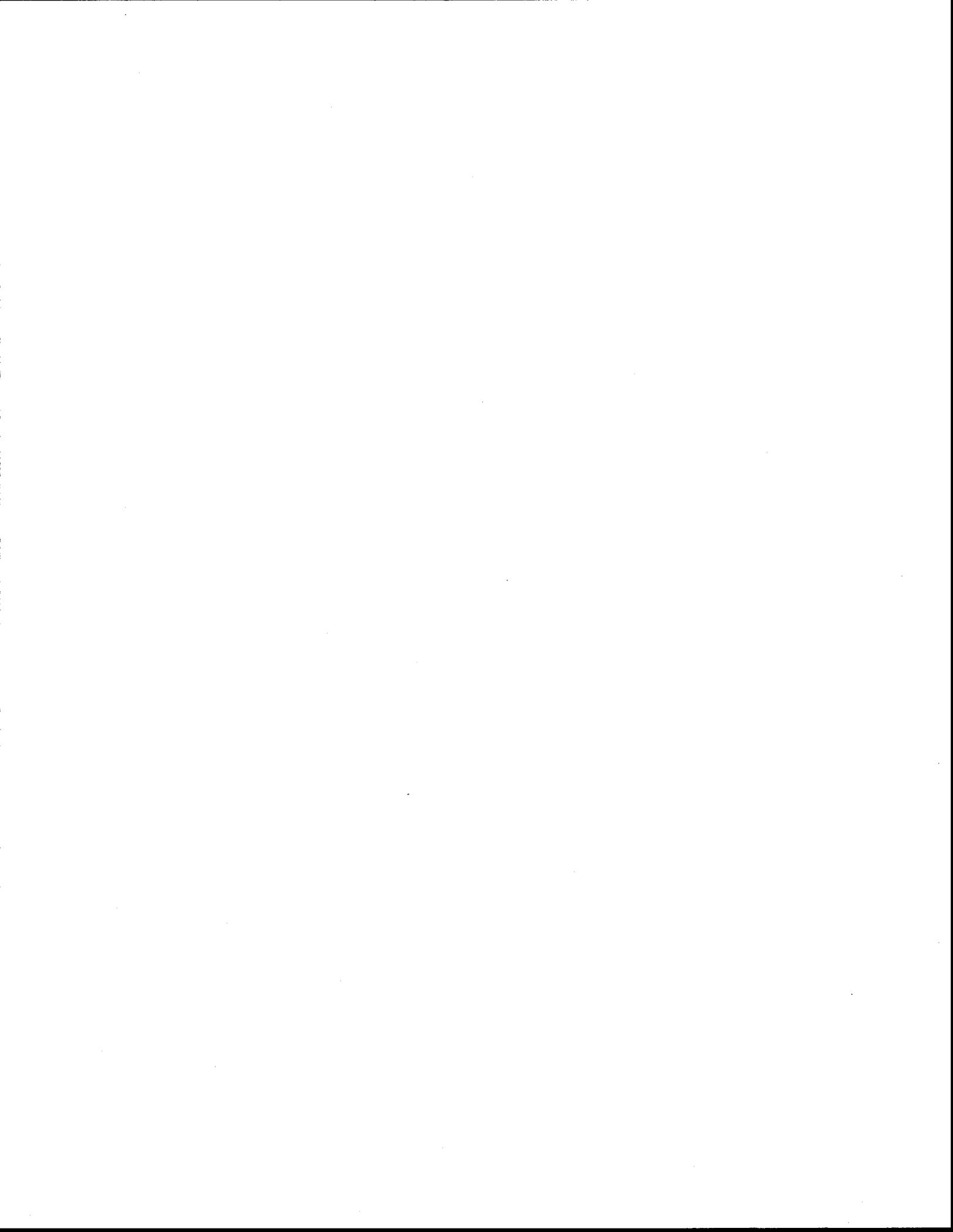
RECOMMENDATION EIGHT: That the Governor and the Department of Commerce place an increased emphasis on the State Ports in presentations to the business community of the State.

The Commission finds that one of the missions of the Department of Commerce, primarily through the International Trade Division, is to provide guidance to the business community in North Carolina on import and export development. The Commission believes that, in making presentations to both North Carolina businesses and businesses seeking to locate in North Carolina, the Governor and the Department should strive to place greater emphasis on the role of the State Ports in international trade in this State and should promote the use of and benefits derived from the State Ports, including the Ports Tax Credit.

RECOMMENDATION NINE: That the Governor and State Budget Director give special consideration to the needs of the State Ports when considering allocations to be made from the Repairs and Renovation Reserve Account, because of the unique use of the infrastructure of the State Ports and the impact the availability of the State Ports has on the overall economy of the State. This consideration should include the time-sensitive nature of ports repair and renovations, the effect of "downtime" on the Ports' revenues, and the adverse impact on the port users and consumers from the restricted ability to fully utilize the port facilities.

The Commission finds that the infrastructure of the State Ports has been created primarily through appropriations by the General Assembly, and therefore the repairs and renovations needed to this infrastructure should be eligible for funding from the State's Reserve for Repairs and Renovations. Appropriately, the State Ports received \$6 million from the Reserve during the 1996-97 fiscal year. The Commission believes that the infrastructure of the State Ports is distinctive from other State infrastructure in several different ways. The State Ports Authority is considered to be a self-supporting agency, where its operating costs are expected to be paid from revenues arising from its operations of the ports. When a significant percentage of the Ports' infrastructure is in disrepair, the amount of revenues the Ports are able to generate is reduced. If imports and exports across the state's ports are reduced or restricted because of needed, but unfunded, repairs and renovations, the economy of the state will also be adversely affected. Because of the special importance of the ports infrastructure to the continuing ports operations and the needs of the State as a whole, ports repairs and renovations should be given special consideration when decisions about allocation of the Reserve are made by the Governor and the State Budget Director.

The Commission also finds that other recommendations made in this report for funding for the capital needs of the Ports are for the needs in addition to the ongoing repair and renovation needs of the Ports.



APPENDIX A



GENERAL ASSEMBLY OF NORTH CAROLINA
1995 SESSION
RATIFIED BILL

CHAPTER 542
HOUSE BILL 898

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMISSIONS, TO DIRECT STATE AGENCIES AND LEGISLATIVE OVERSIGHT COMMITTEES AND COMMISSIONS TO STUDY SPECIFIED ISSUES, TO MAKE VARIOUS STATUTORY CHANGES, AND TO MAKE TECHNICAL CORRECTIONS TO CHAPTER 507 OF THE 1995 SESSION LAWS.

The General Assembly of North Carolina enacts:

PART I.-----TITLE

Section 1. This act shall be known as "The Studies Act of 1995".

.....

PART XVI.-----STATE PORTS STUDY

Sec. 16.1. (a) There is established in the General Assembly the State Ports Study Commission. The purpose of the Commission is to study the status, resources and operations of the ports of North Carolina, to determine whether the ports are serving the needs of exporters and importers in North Carolina, and to develop ways in which North Carolina industries and the State would benefit from port improvements and modifications.

(b) The Commission shall consist of 12 members as follows:

- (1) Three Senators appointed by the President Pro Tempore of the Senate.
- (2) Three Representatives appointed by the Speaker of the House of Representatives.
- (3) Two representatives of North Carolina industries appointed by the Governor.

- (4) Two representatives of North Carolina industries appointed by the President Pro Tempore of the Senate; and
- (5) Two representatives of North Carolina industries appointed by the Speaker of the House of Representatives.

Appointments to the Commission shall be made before September 1, 1995.

The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall appoint as cochairs of the Commission from the General Assembly membership to serve on this Commission. All members shall serve at the will of their appointing officer. Unless removed or unless resigning, members shall serve until the Commission has made its report. Vacancies in membership shall be filled by the appropriate appointing officer.

The first meeting of the Commission shall be held no later than September 21, 1995.

(c) The Commission shall:

- (1) Review the roles of the ports in the economy of North Carolina, the transportation system necessary to port development, the administrative location of the ports, the desirability of privatization and leasing of ports, and any other issues directly pertaining to ports development and improvement of North Carolina ports;
- (2) Examine and review the current operations of the ports, and of the State Ports Authority, and the ways in which policies and plans for the ports are formed and administered;
- (3) Endeavor to determine (i) the cost-effectiveness of port operations, the returns realized by the State on its investment, (ii) whether there are alternatives to the current methods of operations which would be more beneficial to the taxpayers, and (iii) ways, if any, that services to North Carolina business and industry, including the port industries and the exporters and importers, could be improved or modified for the mutual benefit of those private industries and the State;
- (4) Examine and review the methodologies in use by ports in other states that have achieved apparently more favorable returns to their states and industries;

(5) Recommend a methodology for establishing and administering a long-term planning procedure for the State Ports Authority; and

(6) Study the use and development of Radio Island.

(d) The Commission may contract for consultant services as provided by G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Administrative Officer shall assign professional and clerical staff to assist in the work of the Commission. The professional staff shall include the appropriate staff from the Fiscal Research, Research, and Legislative Drafting Divisions of the Legislative Services Office of the General Assembly. Clerical staff shall be furnished to the Commission through the offices of House of Representatives and Senate Supervisors of Clerks. The Commission may meet in the Legislative Building or the Legislative Office Building upon the approval of the Legislative Services Commission. The Commission, while in the discharge of official duties, may exercise all the powers provided under the provisions of G.S. 120-19 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information and any data within their possession or ascertainable from their records, and the power to subpoena witnesses.

Members of the Commission shall receive per diem, subsistence, and travel allowances as follows:

(1) Commission members who are members of the General Assembly, at the rate established in G.S. 120-3.1;

(2) Commission members who are officials or employees of the State or of local government agencies, at the rate established in G.S. 138-6; and

(3) All other Commission members, at the rate established in G.S. 138-5.

(e) The Commission shall report the results of its study and its recommendations to the 1995 General Assembly by May 1, 1996. The Commission shall terminate upon filing its final report.

(f) All State departments and agencies shall furnish the Commission with documents and information in their possession or available to them.

(g) From funds appropriated to the General Assembly, the Legislative Services Commission may allocate funds for the expenses of the Commission under this Part.

.....

PART XXVI.-----EFFECTIVE DATE

Sec. 26.1. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 29th day of July, 1995.

Dennis A. Wicker _____
President of the Senate

Harold J. Brubaker _____
Speaker of the House of Representatives

GENERAL ASSEMBLY OF NORTH CAROLINA
SECOND EXTRA SESSION 1996
RATIFIED BILL

CHAPTER 18
HOUSE BILL 53

AN ACT TO MODIFY THE CONTINUATION BUDGET OPERATIONS
APPROPRIATIONS ACT OF 1995, AND THE EXPANSION AND CAPITAL
IMPROVEMENTS APPROPRIATIONS ACT OF 1995, AND TO MAKE OTHER
CHANGES IN THE BUDGET OPERATION OF THE STATE.

The General Assembly of North Carolina enacts:

.....

Requested by: Senators Perdue, Martin of Pitt, Jordan, Kerr,
Representatives Mitchell, Weatherly
EXTEND STATE PORTS STUDY COMMISSION

Sec. 26.10. (a) Section 16.1(e) of Chapter 542 of the
1995 Session Laws reads as rewritten:

"(e) The Commission shall report the results of its study and
its recommendations to the ~~1995 General Assembly by May 1, 1996.~~
General Assembly. The Commission may make an interim report to
the 1996 Regular Session of the 1995 General Assembly and shall
make a final report upon the convening of the 1997 General
Assembly. The Commission shall terminate upon filing of its
final report."

(b) This section becomes effective April 30, 1996.

.....

Requested by: Representatives Holmes, Creech, Esposito, Senators Plyler, Perdue, Odom

EFFECTIVE DATE

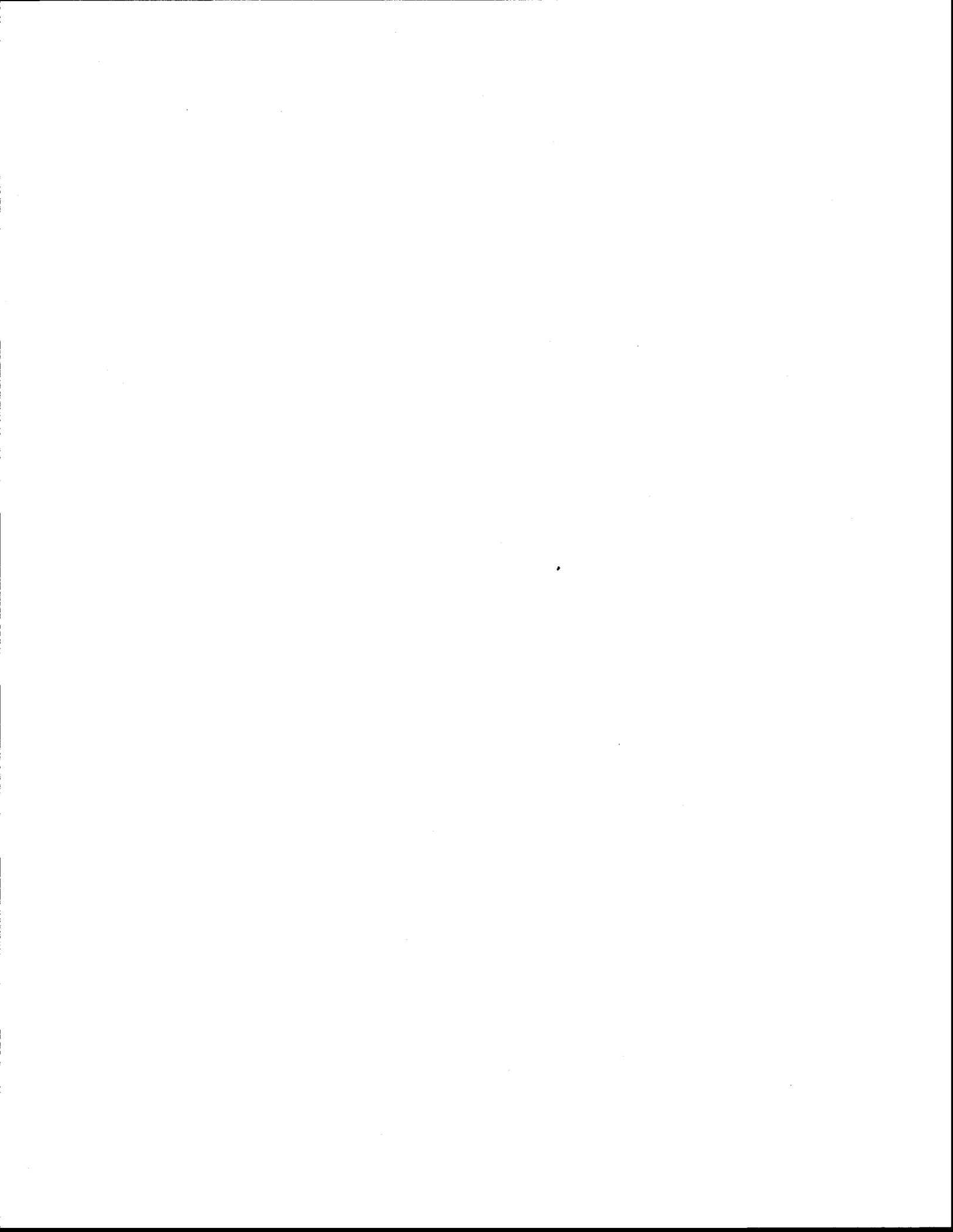
Sec. 29.6. Except as otherwise provided, this act becomes effective July 1, 1996.

In the General Assembly read three times and ratified this the 3rd day of August, 1996.

Dennis A. Wicker
President of the Senate

Harold J. Brubaker
Speaker of the House of Representatives

APPENDIX B



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S/H

D

97-LL-003A(1.1)

(THIS IS A DRAFT AND NOT READY FOR INTRODUCTION)

Short Title: Earmark Corp. Tax for Ports.

(Public)

Sponsors: .

Referred to:

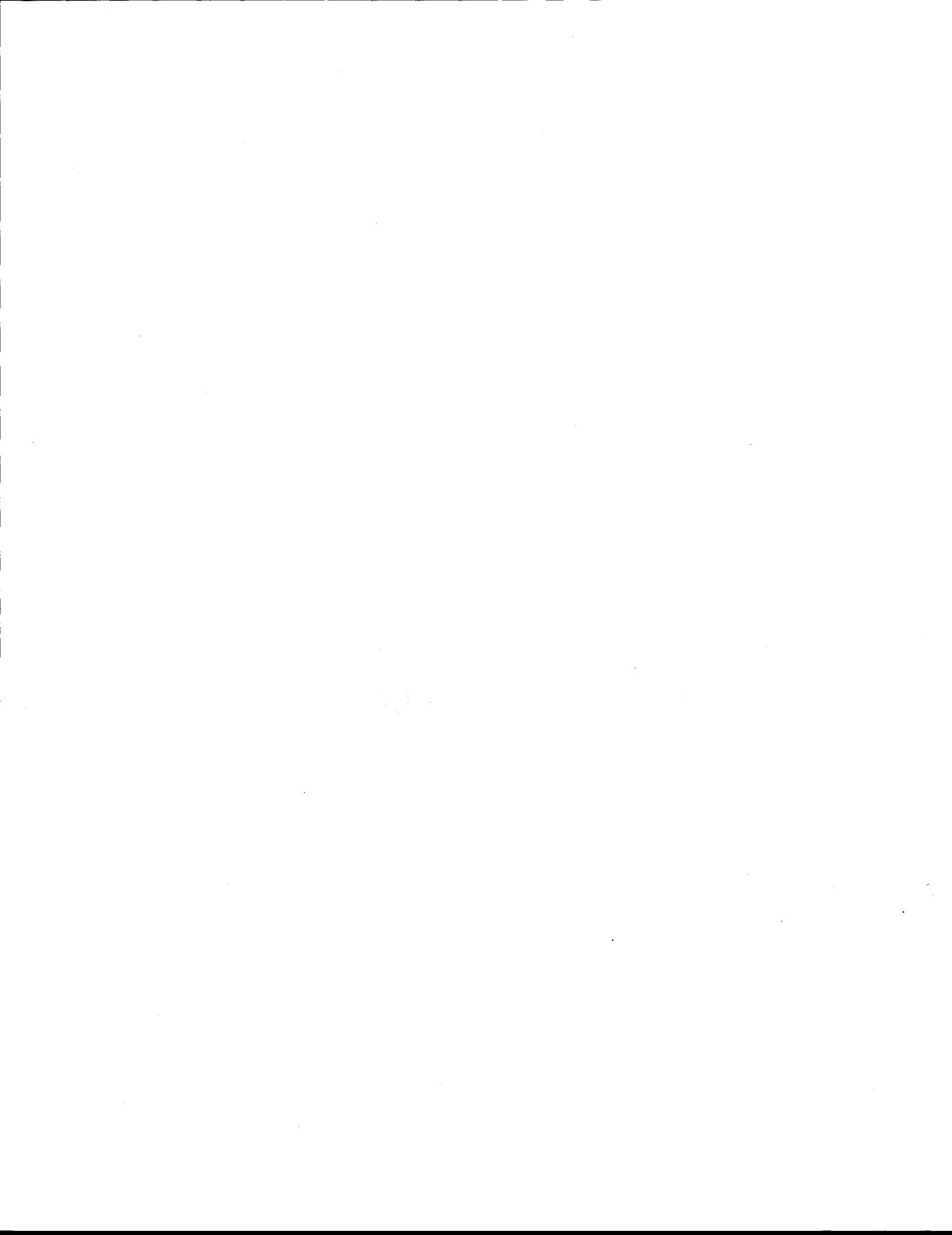
1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE STATE PORTS FACILITIES IMPROVEMENTS FUND
3 FROM ONE PERCENT OF CORPORATE INCOME TAX COLLECTIONS.
4 The General Assembly of North Carolina enacts:
5 Section 1. Part 10 of Article 10 of Chapter 143B of the
6 General Statutes is amended by adding a new section to read:
7 "§143B-468. Ports Facilities Improvements Fund.
8 The State Ports Facilities Improvements Fund is established as
9 a special revenue fund within the Department of Commerce. Each
10 fiscal year, the State Controller shall credit to this Fund at
11 the end of each quarter an amount equal to one percent (1%) of
12 the net corporate income tax collections received under Division
13 I of Article 4 of Chapter 105 of the General Statutes during the
14 previous quarter.
15 The North Carolina State Ports Authority shall administer the
16 State Ports Facilities Improvements Fund. The Authority shall use
17 revenue in the Fund for capital improvements to the facilities
18 and related infrastructure owned by the Authority."
19 Sec. 2. G.S. 143B-463 reads as rewritten:
20 "§143B-463. Deposit and disbursement of funds.
21 All Authority funds funds, other than funds credited to the
22 Ports Facilities Improvements Fund pursuant to G.S. 143B-468,
23 shall be deposited in a bank or banks to be designated by the
24 Authority. Funds of the Authority deposited in a bank designated

1 by the Authority shall be paid out only upon warrants signed by
2 the treasurer or assistant treasurer of the Authority and
3 countersigned by the chairman, the acting chairman or the
4 executive director. No warrants shall be drawn or issued
5 disbursing any of the funds of the Authority except for a purpose
6 authorized by this Article and only when the account or
7 expenditure for which the same is to be given in payment has been
8 audited and approved by the Authority or its executive director."

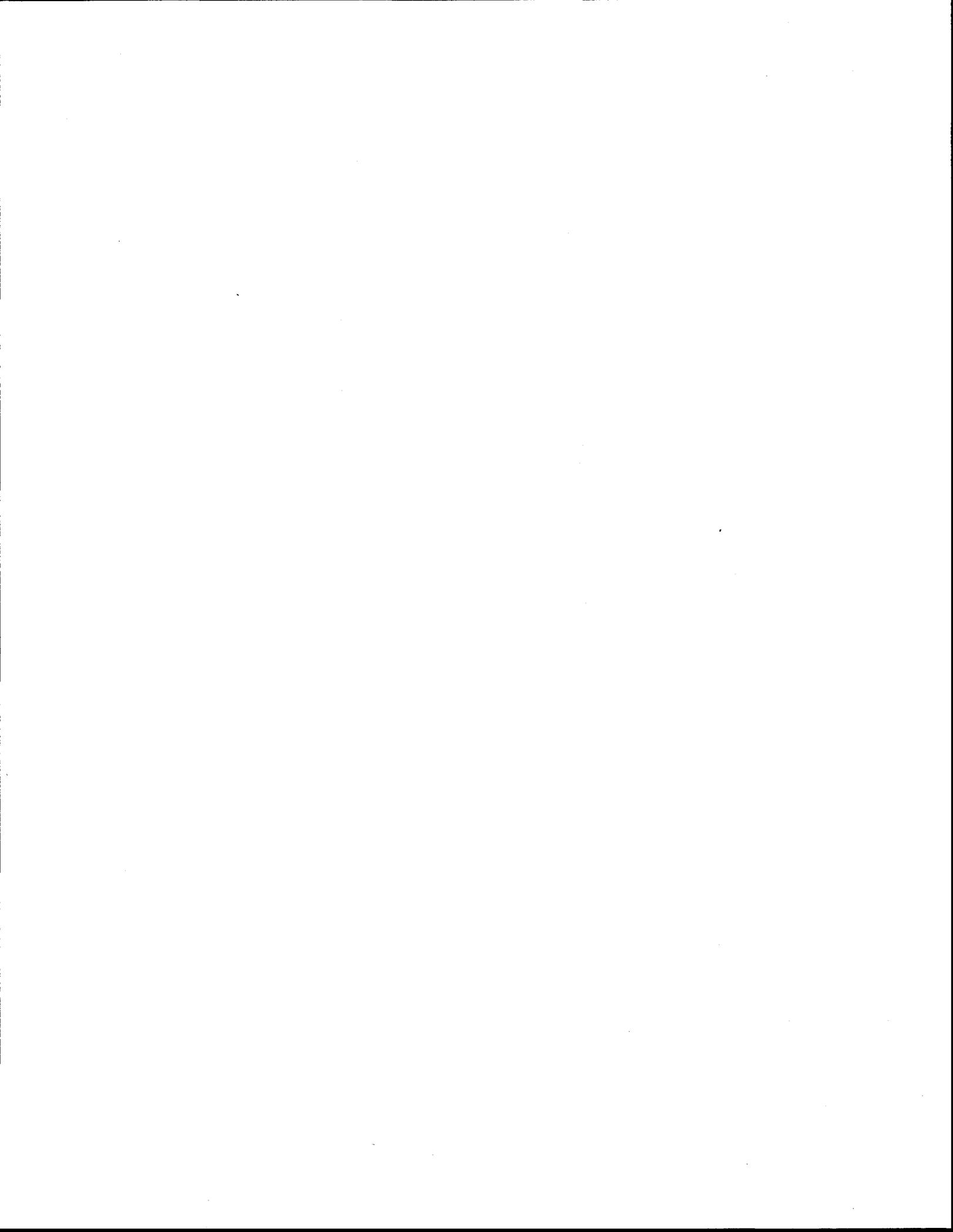
9 Sec. 3. This act becomes effective July 1, 1997.

Explanation of Legislation

This bill would direct the State Controller to credit an amount equal to one percent (1%) of the corporate income tax collections to a State Ports Facilities Improvements Fund, which would be used by the State Ports Authority for capital improvements to the facilities and infrastructure owned by the Ports Authority. One percent of the corporate income tax collections would be an estimated \$10 million annually.



APPENDIX C



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S/H

D

97-LL-009(1.1)

(THIS IS A DRAFT AND NOT READY FOR INTRODUCTION)

Short Title: Ports Capital Funds.

(Public)

Sponsors: .

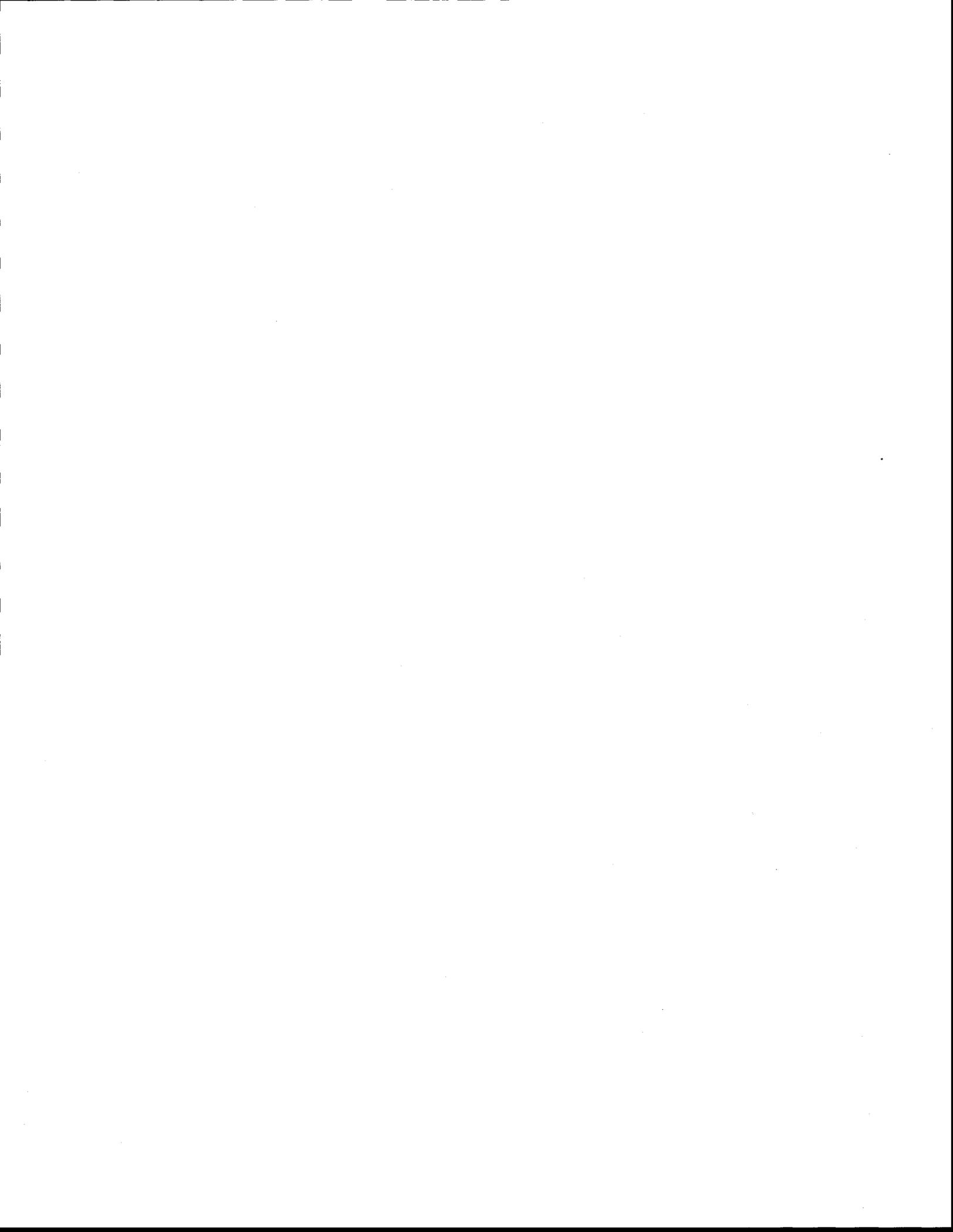
Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO APPROPRIATE FUNDS FOR CAPITAL IMPROVEMENTS AT THE STATE
3 PORTS.
4 The General Assembly of North Carolina enacts:
5 Section 1. There is appropriated from the General Fund
6 to the North Carolina State Ports Authority the sum of ten
7 million dollars (\$10,000,000) for the 1997-98 fiscal year and the
8 sum of ten million dollars (\$10,000,000) for the 1998-99 fiscal
9 year for capital improvements at the State Ports facilities in
10 Wilmington and Morehead City.
11 Sec. 2. This act becomes effective July 1, 1997.

Explanation of Legislation

This bill would appropriate \$10 million to the State Ports Authority for capital improvements during each year of the 1997-99 biennium.

APPENDIX D



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S/H

D

97-LL-006A(1.1)

(THIS IS A DRAFT AND NOT READY FOR INTRODUCTION)

Short Title: Port User on Ports Board.

(Public)

Sponsors: .

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE THAT AT LEAST ONE MEMBER OF THE BOARD OF THE
3 NORTH CAROLINA STATE PORTS AUTHORITY BE AFFILIATED WITH A MAJOR
4 EXPORTER OR EXPORTER USING THE STATE PORTS.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 143B-452 reads as rewritten:
7 "§ 143B-452. Creation of Authority -- membership; appointment,
8 terms and vacancies; officers; meetings and quorum; compensation.
9 The North Carolina State Ports Authority is hereby created. It
10 shall be governed by a board composed of nine members and hereby
11 designated as the Authority. Effective July 1, 1983, it shall be
12 governed by a board composed of 11 members and hereby designated
13 as the Authority. The General Assembly suggests and recommends
14 that no person be appointed to the Authority who is domiciled in
15 the district of the North Carolina House of Representatives or
16 the North Carolina Senate in which a State port is located. The
17 Governor shall appoint seven members to the Authority, and the
18 General Assembly shall appoint two members of the Authority.
19 Effective July 1, 1983, the Authority shall consist of seven
20 persons appointed by the Governor, and four persons appointed by
21 the General Assembly. Effective July 1, 1989, the Governor shall
22 appoint six members to the Authority, in addition to the
23 Secretary of Commerce, who shall serve as a voting member of the
24 Authority by virtue of his office. The Secretary of Commerce

1 shall fill the first vacancy occurring after July 1, 1989, in a
2 position on the Authority over which the Governor has appointive
3 power.

4 The initial appointments by the Governor shall be made on or
5 after March 8, 1977, two terms to expire July 1, 1979; two terms
6 to expire July 1, 1981; and three terms to expire July 1, 1983.
7 Thereafter, at the expiration of each stipulated term of office
8 all appointments made by the Governor shall be for a term of six
9 years.

10 To stagger further the terms of members:

11 (1) Of the members appointed by the Governor to replace
12 the members whose terms expire on July 1, 1991, one
13 member shall be appointed to a term of five years,
14 to expire on June 30, 1996; the other member shall
15 be appointed for a term of six years, to expire on
16 June 30, 1997;

17 (2) Of the members appointed by the Governor to replace
18 the members whose terms expire on July 1, 1993, one
19 member shall be appointed to a term of five years,
20 to expire on June 30, 1998; the other member shall
21 be appointed to a term of six years, to expire on
22 June 30, 1999;

23 (3) Of those members appointed by the Governor to
24 replace the members whose terms expire on July 1,
25 1995, one member shall be appointed to a term of
26 five years, to expire on June 30, 2000; the other
27 member shall be appointed to a term of six years,
28 to expire on June 30, 2001.

29 Thereafter, at the expiration of each stipulated term of office
30 all appointments made by the governor shall be for a term of six
31 years.

32 The members of the Authority appointed by the Governor shall be
33 selected from the State-at-large and insofar as practicable shall
34 represent each section of the State in all of the business,
35 agriculture, and industrial interests of the State. At least one
36 member appointed by the Governor shall be affiliated with a major
37 exporter or importer currently using the State Ports. Any vacancy
38 occurring in the membership of the Authority appointed by the
39 Governor shall be filled by the Governor for the unexpired term.
40 The Governor may remove a member appointed by the Governor only
41 for reasons provided by G.S. 143B-13.

42 The General Assembly shall appoint two persons to serve terms
43 expiring June 30, 1983. The General Assembly shall appoint four
44 persons to serve terms beginning July 1, 1983, to serve until

1 June 30, 1985, and successors shall serve for two-year terms. Of
2 the two appointments to be made in 1982, one shall be made upon
3 the recommendation of the Speaker, and one shall be made upon the
4 recommendation of the President of the Senate. Of the four
5 appointments made in 1983 and biennially thereafter, two shall be
6 made upon the recommendation of the President of the Senate, and
7 two shall be made upon the recommendation of the Speaker. To
8 stagger further the terms of members:

- 9 (1) Of the members appointed upon the recommendation of
10 the Speaker to replace the members whose terms
11 expire on June 30, 1991, one member shall be
12 appointed to a term of one year, to expire on June
13 30, 1992; the other member shall be appointed to a
14 term of two years, to expire on June 30, 1993;
15 (2) Of the members appointed upon the recommendation of
16 the President of the Senate to replace the members
17 whose terms expire on June 30, 1991, one member
18 shall be appointed to a term of one year, to expire
19 on June 30, 1992; the other member shall be
20 appointed to a term of two years, to expire on June
21 30, 1993. Successors to these persons for terms
22 beginning on or after January 1, 1997, shall be
23 appointed by the General Assembly upon the
24 recommendation of the President Pro Tempore of the
25 Senate.

26 Thereafter, at the expiration of each stipulated term of office
27 all appointments made by the General Assembly shall be for terms
28 of two years.

29 Appointments by the General Assembly shall be made in
30 accordance with G.S. 120-121, and vacancies in those appointments
31 shall be filled in accordance with G.S. 120-122. Members
32 appointed by the General Assembly may be removed only for reasons
33 provided by G.S. 143B-13.

34 The Governor shall appoint from the members of the Authority
35 the chairman and vice-chairman of the Authority. The members of
36 the Authority shall appoint a treasurer and secretary of the
37 Authority.

38 The Authority shall meet once in each 60 days at such regular
39 meeting time as the Authority by rule may provide and at any
40 place within the State as the Authority may provide, and shall
41 also meet upon the call of its chairman or a majority of its
42 members. A majority of its members shall constitute a quorum for
43 the transaction of business. The members of the Authority shall
44 not be entitled to compensation for their services, but they

1 shall receive per diem and necessary travel and subsistence
2 expense in accordance with G.S. 138-5."

3 Sec. 2. The member of the Authority representative of
4 businesses using the State Ports, to be appointed by the Governor
5 pursuant to Section 1 of this act, shall be appointed to replace
6 the member of the Authority whose term expires June 30, 1998.

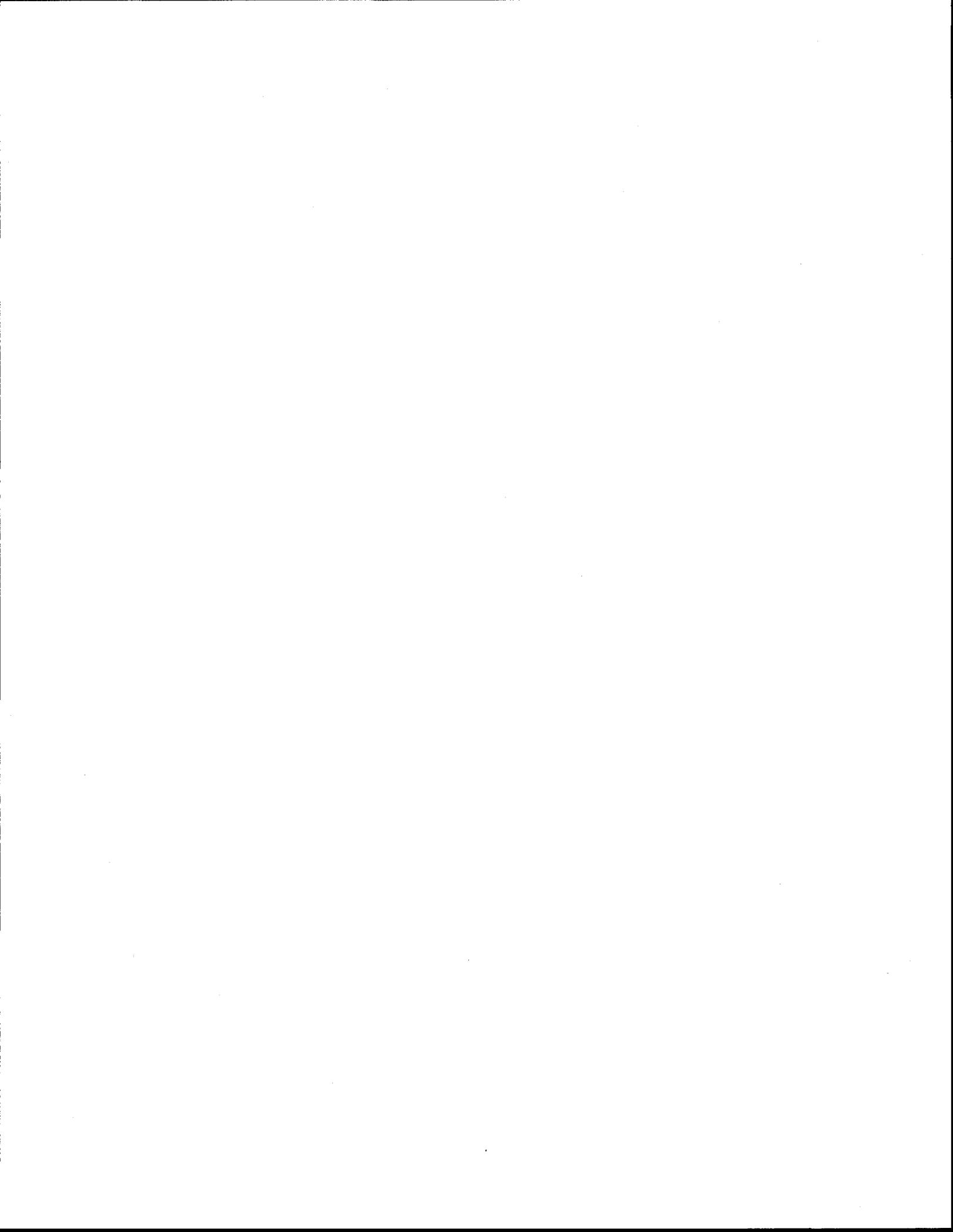
7 Sec. 3. This act is effective when it becomes law.

Explanation of Legislation

This bill would provide that at least one of the Governor's appointees to the Ports Authority Board be affiliated with a major importer or exporter using the State Ports. This requirement apply to the vacancy created by the expiration of the term of the Governor's appointee whose term expires June 30, 1998.



APPENDIX E



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S/H

D

97-LL-039(1.1)

(THIS IS A DRAFT AND NOT READY FOR INTRODUCTION)

Short Title: Exempt State Ports Purchase & Contract (Public)

Sponsors:

Referred to:

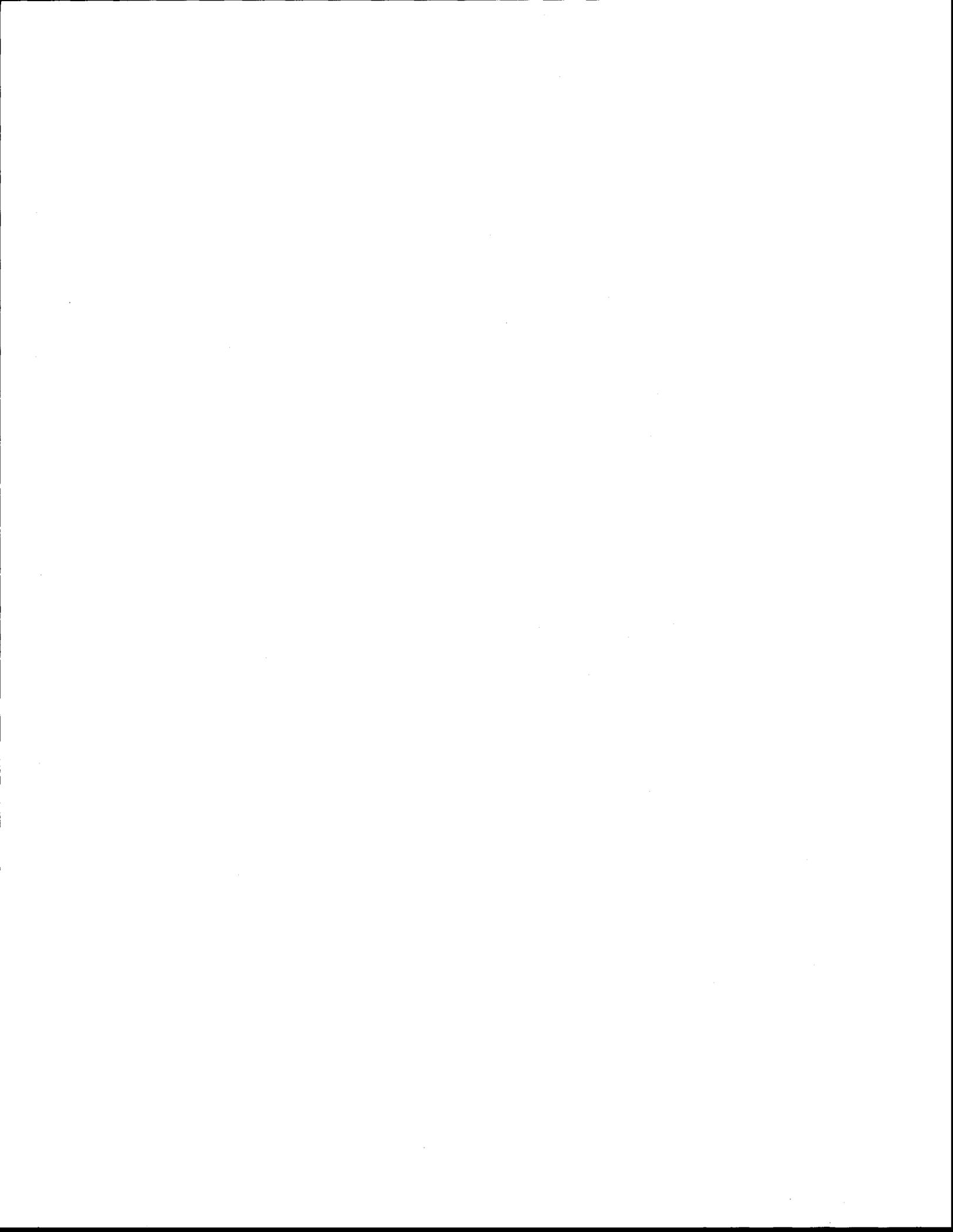
1 A BILL TO BE ENTITLED
2 AN ACT TO EXEMPT THE STATE PORTS AUTHORITY FROM STATE PURCHASE
3 AND CONTRACT REQUIREMENTS.
4 The General Assembly of North Carolina enacts:
5 Section 1. G. S. 143B-465 reads as rewritten:
6 "§ 143B-465. Purchase of supplies, material and equipment and
7 building contracts.
8 ~~All of the provisions of Article 3 of Chapter 143 of the~~
9 ~~General Statutes relating to the purchase of supplies, material~~
10 ~~and equipment by the State government are hereby made applicable~~
11 ~~to the North Carolina State Ports Authority. All of the~~
12 ~~provisions of Chapter 143 of the General Statutes relating to~~
13 ~~public building contracts are hereby made applicable to the North~~
14 ~~Carolina State Ports Authority for those construction projects~~
15 ~~which may be funded, in whole or in part, by appropriations from~~
16 ~~the General Assembly.~~
17 The North Carolina State Ports Authority is exempt from the
18 provisions of Article 3 and Article 8 of Chapter 143 of the
19 General Statutes, but the Authority may make use of the
20 provisions of those Articles relating to the purchase of
21 supplies, materials, equipment, or services, or to public
22 building contracts, as the Authority deems appropriate. The
23 Authority shall report quarterly to the Joint Legislative
24 Commission on Governmental Operations on any purchases or

1 building contracts exceeding two hundred fifty thousand dollars
2 (\$250,000) to which this exemption is applied."

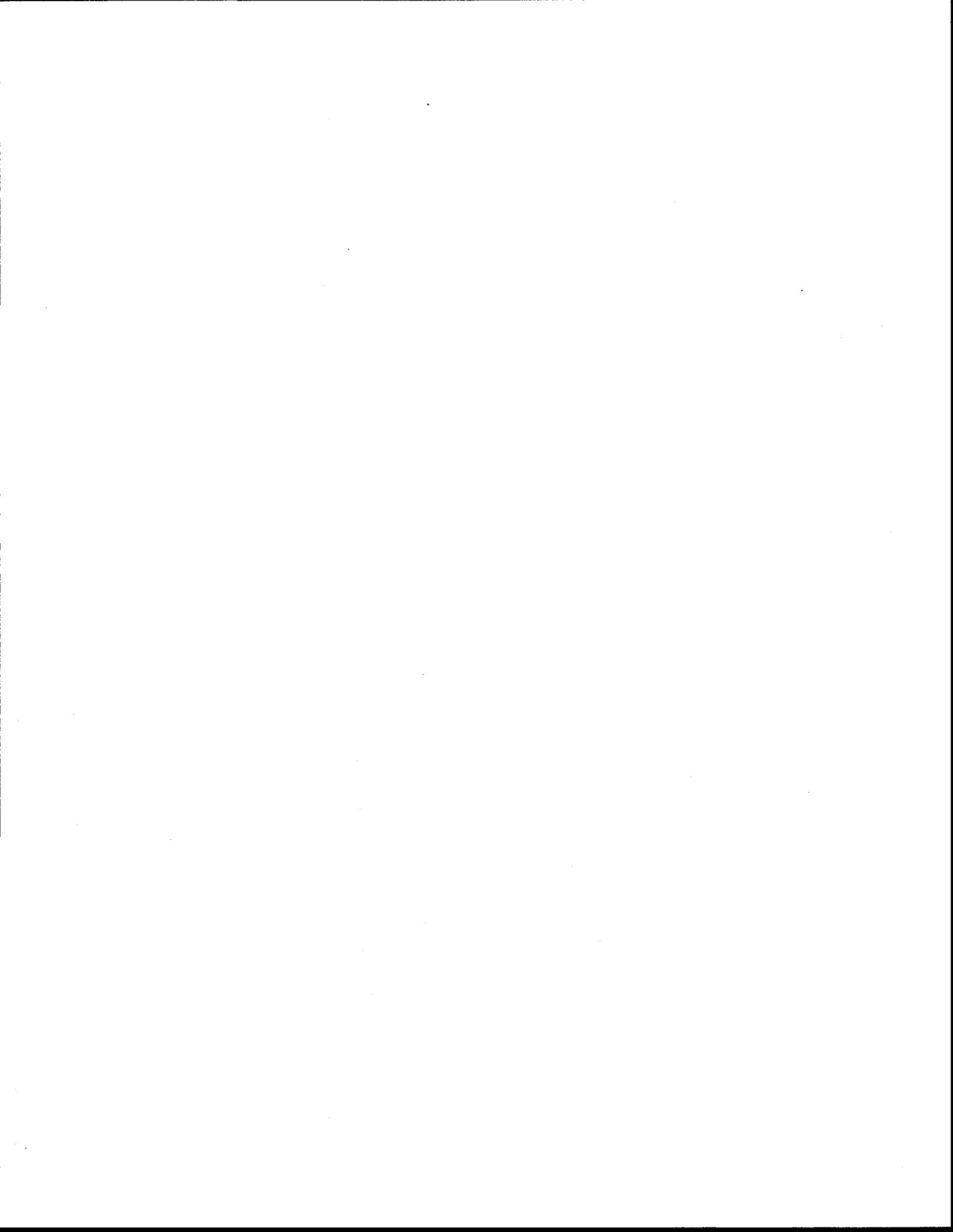
3 Section 2. This act is effective when it becomes law.

Explanation of Legislation

This bill would exempt the State Ports Authority from the General Statutes applying to contracts for projects and contracts for public buildings. The Authority would be required to report to the Joint Legislative Commission on Governmental Operations on any projects exceeding \$250,000 for which it exercises this exemption.



APPENDIX F



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

S/H

D

97-LL-018(1.1)

(THIS IS A DRAFT AND NOT READY FOR INTRODUCTION)

Short Title: Remove Sunset/Ports Tax Credit.

(Public)

Sponsors: .

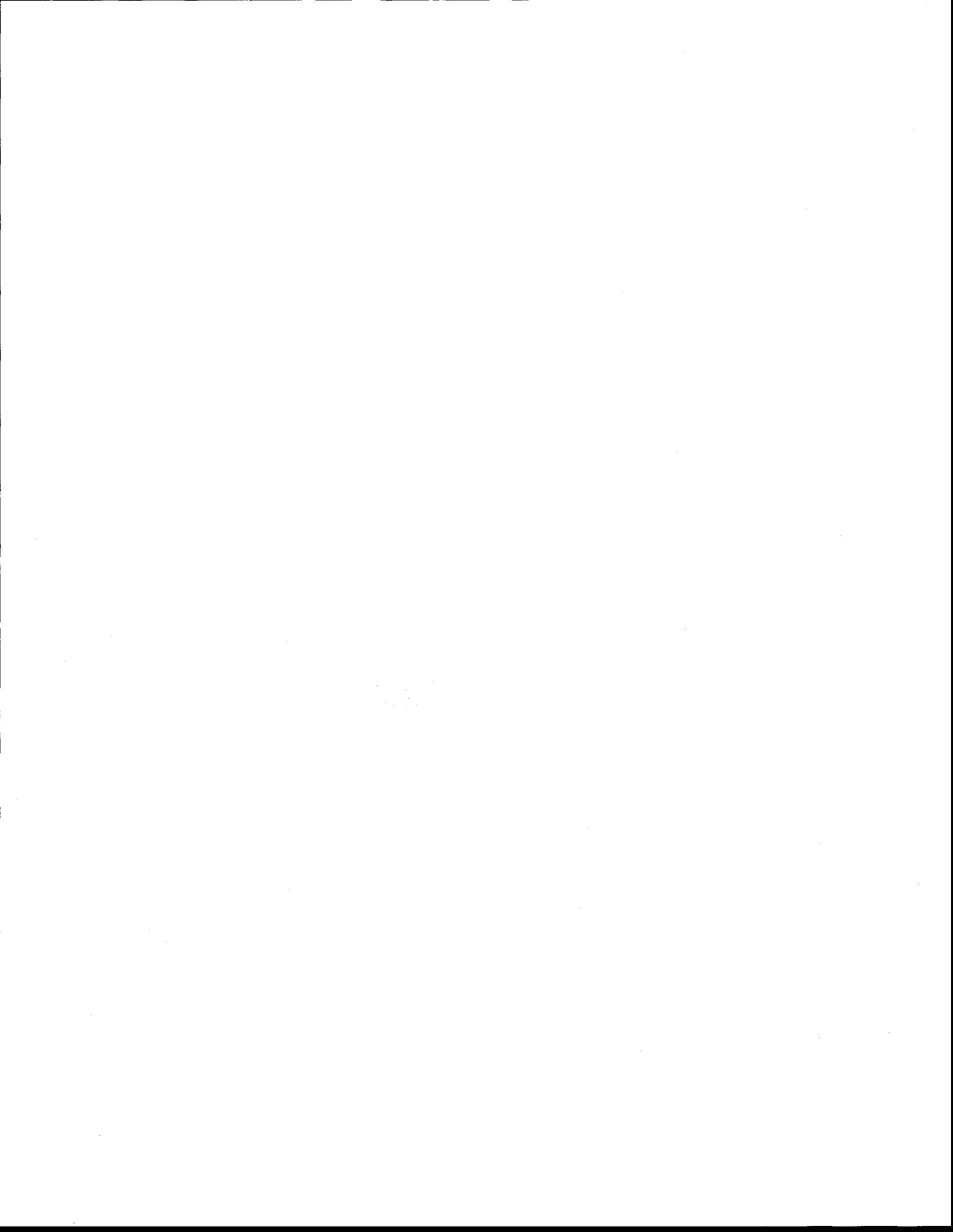
Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REMOVE THE SUNSET ON THE STATE PORTS TAX CREDIT AND TO
3 RAISE THE MAXIMUM CUMULATIVE CREDIT TO FIVE MILLION DOLLARS.
4 The General Assembly of North Carolina enacts:
5 Section 1. Section 4 of Chapter 977 of the 1991 Session
6 Laws, as amended by Section 3 of Chapter 495 of the 1995 Session
7 Laws, reads as rewritten:
8 "Sec. 4. This act is effective for taxable years
9 beginning on or after March 1, 1992, and ending on or before
10 February 28, 1998. 1992."
11 Sec. 2. Section 4 of Chapter 681 of the 1993 Session
12 Laws, as amended by Section 17 of Chapter 17 of the 1995 Session
13 Laws and by Section 4 of Chapter 495 of the 1995 Session Laws,
14 reads as rewritten:
15 "Sec. 4. This act is effective for taxable years
16 beginning on or after January 1, 1994, and ending on or before
17 February 28, 1998. 1994."
18 Sec. 3. G.S. 105-151.22 reads as rewritten:
19 "(b) Limitations. -- This credit may not exceed fifty percent
20 (50%) of the amount of tax imposed by this Division for the
21 taxable year reduced by the sum of all credits allowable, except
22 tax payments made by or on behalf of the taxpayer. Any unused
23 portion of the credit may be carried forward for the succeeding
24 five years. The maximum cumulative credit that may be claimed by

1 a taxpayer under this section is ~~one~~ five million dollars
2 ~~(\$1,000,000)~~ (\$5,000,000)."
3 Sec. 4. This act is effective when it becomes law.

Explanation of Legislation

This bill would remove the February 28, 1998 sunset on the State Ports tax credit and would also raise the maximum cumulative credit that may be claimed by a single taxpayer from one million to five million dollars.



APPENDIX G



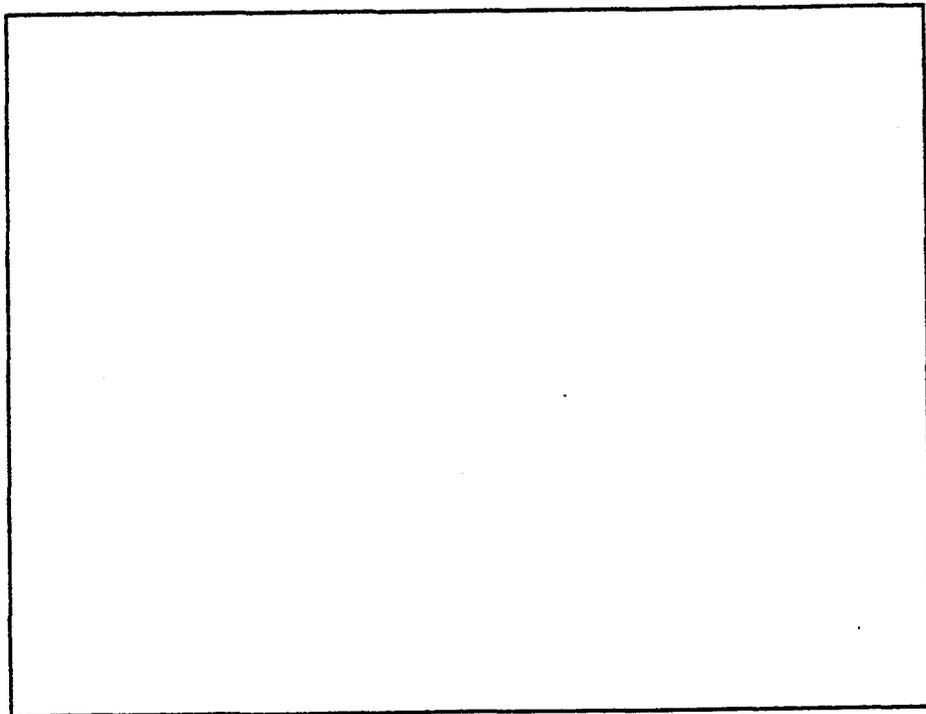
MOFFATT & NICHOL, ENGINEERS

***NCSPA Master Capital-
Development Plan (1997-2006)***

Presentation to the
Legislative Port Study Commission
Sterling M. Brockwell, Jr., PE
Moffatt & Nichol Engineers
September 30, 1996

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1



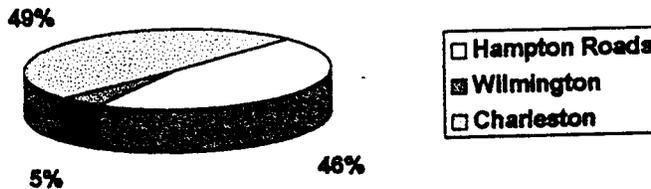
Port Competitive Environment

- *Shippers generally do not select the port but select the ocean carrier.*
- *Carriers make the port selection on the basis of:*
 - The size of the local market.
 - Competitive terminal costs.
 - Harbor characteristics.
 - Facility characteristics.

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3

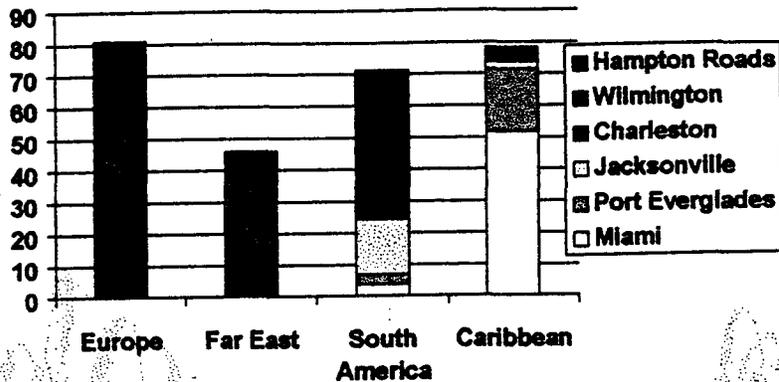
Mid-Atlantic Region Container Distribution



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4

Percentage of NC Containers Moving via Southeastern Ports



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5

Waterway and Navigational Facilities

- Two main harbor-characteristic considerations:
 - Access to the open sea.
 - Controlling draft.
- *Wilmington is not disadvantaged with respect to distance from open sea.*
- *Wilmington is disadvantaged with respect to controlling draft.*

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6

Rail and Intermodal Facilities

- Both Morehead City and Wilmington are at a disadvantage from a rail standpoint.
- Wilmington does not have dedicated intermodal rail service.
- Carriers have indicated that the absence of such rail service limits Wilmington's attractiveness for a direct call.

Highway Facilities

- Truck traffic to/from Morehead City is impacted by:
 - Lack of limited-access highways.
 - Absence of bypasses around Morehead City, Havelock, Kinston and Goldsboro.
 - Multiple traffic signals between the port and I-95.

Highway Facilities

- Truck traffic between Wilmington and Charlotte is impacted by:
 - *Absence of bypasses* around Wilmington, Maxton, Rockingham, Hamlet and Monroe.
 - *Multiple traffic signals.*

Highway Facilities

- The MCDP recommends improving highway access to Morehead City by:
 - Increasing the priority of current NCDOT TIP projects beneficial to the port.
 - Adding a Havelock bypass to NC-101, improving NC-101 from Havelock to Beaufort and widening the Newport River Bridge.
 - Adding improvements to NC-24.

Highway Facilities

- The MCDP recommends improving highway access to Wilmington by:
 - Increasing the priority of current NCDOT TIP projects beneficial to the port.
 - Improving the Front Street/Burnett Boulevard/Carolina Beach Road intersection and widening Burnett Boulevard to the port.

Port-Development Investment Plans

- Last major NC State General Assembly appropriation to the ports was for \$32.2 million in FY 1988.
- The NCSPA has received a total of \$900 thousand from the General Assembly since that period.

Port-Development Investment Plans

■ By contrast:

- Total capital expenditures for the GPA was \$45.4 million in 1994. The GPA plans to spend \$297.4 million in the next five years.
- The VPA plans to spend \$183.2 million in the next five years.
- The Port of Charleston recently completed a \$100 million expansion project and has begun studies for an \$800 million project on Daniel Island.

Marketing Analysis

■ Conclusions:

- NC Ports are *best positioned to serve NC industries* and are not well-positioned to compete with the Port of Charleston and the VPA for midwestern cargoes.
- NC Ports *will continue having trouble* attracting western NC containerized cargo.
- NC Ports play a vital role in the *expansion of NC industries*, particularly agri-business.

Significant Cargo-Growth Opportunities

COMMODITY	CURRENT	EXPECTED	MAXIMUM
MHC			
Wood Chips	642,000	1,060,000	1,060,000
Borate Ore	102,000	180,000	180,000
Sulfur	0	250,000	250,000
Poultry	34,000	80,000	80,000
Wilmington			
Containers	54,000	109,133	158,900
Wood Pulp	557,000	902,500	1,153,000
Fertilizers	43,000	100,000	135,000
Grain	0	300,000	300,000
Cement	0	300,000	300,000
Wood Chips	0	300,000	300,000

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15

Facilities and Equipment Assessment

■ Port of Morehead City

- Buildings are generally in good condition, but *many are obsolete.*
- Warehouses 7 and 8 are in poor condition and *should be demolished.*
- Wharves are generally in good condition, but some have *insufficient wharf-face depths.*
- Gantry cranes are in poor condition and *should be replaced.*

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16

Facilities and Equipment Assessment

■ Port of Wilmington

- Buildings are in poor condition due to *insufficient floor-loading capacities.*
- Cargo Shelter 1 and Warehouse 5 are in poor condition and *should be demolished.*
- Wharves are generally in poor condition due to *insufficient loading capacities.*
- Gantry cranes are in poor condition and *should be replaced.*

Access-System Projects

FISCAL YEAR	USACE	DEHNR	OTHER	NCDOT
1996	\$-	\$-	\$-	\$-
1997	9,653,000	1,555,000	-	1,200,000
1998	13,640,000	2,843,000	1,304,000	297,000,000
1999	26,653,000	6,816,000	1,448,000	-
2000	11,460,000	3,516,358	1,235,000	-
2001	62,000,000	22,008,358	-	-
2002	60,900,000	20,319,358	-	-
2003	63,064,000	19,393,358	-	-
2004	17,900,000	4,039,358	-	-
2005	8,800,000	1,659,795	-	-
2006	7,800,000	1,609,795	-	-
Total:	\$281,870,000	\$83,760,382	\$3,987,000	\$298,200,000

Capital-Funding Requirements

■ Waterways

- \$281.9 million from USACE.
- \$83.8 million from State through DEHNR.
- \$4.0 million from local sources (utilities, etc.).

■ Roads and Highways

- \$298 million to be added to NCDOT TIP.

Port Facility Projects

FISCAL YEAR	REVENUE BONDS	GENERAL ASSEMBLY	RETAINED EARNINGS	TOTAL
1996	\$4,000,000	\$-	\$-	\$4,000,000
1997	16,180,000	44,000,000	9,260,000	69,440,000
1998	5,800,000	48,925,700	750,000	55,475,700
1999	4,030,000	5,500,000	1,090,000	10,620,000
2000	-	45,296,000	590,000	45,886,000
2001	3,400,000	17,700,000	720,000	21,820,000
2002	-	18,729,000	660,000	19,389,000
2003	-	48,657,000	820,000	49,477,000
2004	-	2,773,000	740,000	3,513,000
2005	-	-	820,000	820,000
2006	-	-	840,000	840,000
Total:	\$33,410,000	\$231,580,700	\$16,290,000	\$281,280,700

Capital-Funding Requirements

■ Port Facilities

- \$231.6 million in public investment.
- \$16.3 million in port investment.
- \$33.4 million in revenue-bond assistance.

MCDP Financial and Economic Impact Summary

ITEM	MHC	WILMINGTON	TOTAL
Market-Based Projects	\$50.1 million	\$157.4 million	\$207.5 million
Infrastructure Projects	\$41.3 million	\$116.2 million	\$157.5 million
Total Funding Requirements	\$91.4 million	\$273.6 million	\$365.0 million
Average ROI	3.2%	6.0%	5.2%
Jobs Created	277	1,195	1,472
Personal Income	\$7.8 million	\$45.2 million	\$53.0 million
Business Revenue	\$19.9 million	\$91.3 million	\$111.2 million
Tax Revenue	\$685 thousand	\$4.1 million	\$4.8 million

*Principal Beneficiaries at
Morehead City*

BENEFICIARY	MARKET-BASED	INFRASTRUCTURE
Wood-Chip Shippers		
Wharves	\$15,820,000	\$-
Handling System	9,200,000	-
Railyard Expansion	500,000	1,100,000
Dry-Bulk Shippers	15,142,000	-
Waterman (Radio Island)	-	7,000,000
Poultry/Pork Shippers	4,750,000	-
Maintenance Dredging	-	350,000
NC Railroad	-	2,000,000

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23

*Principal Beneficiaries at
Morehead City*

BENEFICIARY	MARKET-BASED	INFRASTRUCTURE
NCSPA		
Leasehold Improvements	\$2,672,000	\$1,750,000
Pavement	-	5,110,000
Equipment	-	10,440,000
Wharfside Dredging	-	1,940,000
Terminal Trackage	-	11,640,000
Railcar Purchase	2,000,000	-
Totals:	\$50,084,000	\$41,330,000
Grand Total:	\$91,414,000	

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24

*Principal Beneficiaries at
Wilmington*

BENEFICIARY	MARKET-BASED	INFRASTRUCTURE
Wood-Chip Shippers		
Handling System	\$4,000,000	\$-
Railyard Expansion	900,000	-
Dry-Bulk Shippers	38,030,500	-
Wood-Chip Shippers		
Wharves	-	27,190,000
Buildings	13,562,000	-
General-Cargo Shippers		
Wharves	-	47,760,000
Buildings	-	9,167,000
Maintenance Dredging	-	8,666,380

*Principal Beneficiaries at
Wilmington*

BENEFICIARY	MARKET-BASED	INFRASTRUCTURE
Container Shippers		
Port Facilities	\$15,787,000	\$-
Channel Dredging	74,744,000	-
Intermodal Rail	4,500,000	-
Trans. Corridor	5,862,000	-
NCSPA		
Land Acquisition	-	315,000
Leasehold Improvements	-	6,712,700
Equipment	-	9,350,000
Wharfside Dredging	-	4,680,000
Terminal Trackage	-	2,400,000
Totals:	\$157,385,500	\$116,241,580
Grand Total:	\$273,627,080	

Conclusions

- Implementing this MCDP will:
 - *Increase the capacities* at both ports for handling the forecasted amounts of cargo.
 - Increase the likelihood that current steamship lines *will continue to call* Wilmington.
 - Provide *upgraded and modernized* infrastructure.
 - *Improve cargo-handling and rail safety.*

Conclusions

- By not implementing this MCDP:
 - USACE funding for Cape Fear River project *will be lost.*
 - Current shipping lines *will no longer call* Wilmington.
 - Dry-bulk import potential *will be reduced.*
 - Port facilities *will further degrade and become more obsolete.*
 - Cargo-handling and rail safety *will be further impacted.*

Executive Summary

NCSPA MASTER CAPITAL DEVELOPMENT PLAN (1997-2006)



 **MOFFATT & NICHOL**
ENGINEERS



A. INTRODUCTION

The North Carolina State Ports Authority (NCSPA) retained Moffatt & Nichol Engineers, in association with Martin Associates, Wilbur Smith Associates and Culwell Engineering, Inc., to which this report collectively refers as the "Project Team," to develop this 10-year Master Capital-Development Plan (MCDP) for the Ports of Morehead City and Wilmington. This Plan covers the period from Fiscal-Year (FY) 1997 to FY 2006 and includes the intermodal terminals at Charlotte and Greensboro.

B. PORT COMPETITIVE ENVIRONMENT

Shippers/consignees generally do not select the ports through which to route their cargo but tend to select the ocean carrier. The carrier makes the port selection on the basis of several key factors, including:

- The size of the local market that can be more cost-effectively served via the selected port rather than via competing ports;
- Intermodal access to inland markets, including frequency of double-stack services;
- Competitive terminal costs, including stevedoring costs;
- Harbor characteristics; and
- Facility characteristics.

Therefore, when evaluating the NCSPA's existing and potential containerized-cargo markets, understanding the decision processes of the existing and potential ocean carriers and the competitive position of the Port of Wilmington with respect to its competing ports, particularly the Port of Charleston and the Virginia Port Authority (VPA) facilities, is critical.

1. Waterway and Navigational Facilities

The most important harbor characteristic is controlling draft. The Port of Wilmington is at a distinct disadvantage with respect to controlling draft when compared with the other ports. Carriers now calling the Port of Wilmington, particularly in the Far East trade, have indicated that the draft constraint limits their ability to move ships in and out of the Cape Fear River channel fully loaded. The vessels must either forgo cargo at the port of call prior to the Wilmington call in order to load the containers at Wilmington or forgo cargo at Wilmington. In addition to the lost revenue due to restricted loads, vessels must depart Wilmington at high tide in order to transit the Cape Fear River ocean bar safely.

Deepening and widening the Cape Fear River channel is imperative in order to enable unrestricted access to the port by vessels having drafts up to 38 feet. The purpose of the channel deepening and widening projects is not to enable the Port to compete with the Port of Charleston and the VPA facilities but to enable the Port to serve the people, industries and agri-businesses of North Carolina.

If the Cape Fear River channel is not deepened, North Carolina interests now using the Port of Wilmington will incur additional shipping costs. These added costs will make North Carolina products less competitive in the world market.

2. Rail and Intermodal Facilities

The Ports of Morehead City and Wilmington are both at a disadvantage from a rail standpoint when compared to the Hampton Roads area and the Ports of Charleston, Savannah and Jacksonville. Both of the South's major railroads, CSXT and Norfolk Southern (NS), serve each of these four competing ports, while only one carrier serves each of the North Carolina ports—CSXT at Wilmington and NS at Morehead City. Furthermore, these carriers access the four competing ports using main lines, whereas branch or light-density lines provide access to Wilmington and Morehead City. This adversely impacts the North Carolina ports in terms of service frequency and rail-route running times.

For the shipping lines that make the commitment to provide regular service at the Port of Wilmington, the Port must provide the facilities and equipment necessary to enable those lines to access the US Intermodal System. This will entail establishing a different service from the one serving Wilmington today. If CSX cannot improve rail access for Wilmington cargoes to the US Intermodal System, the Port should evaluate other options, including taking the necessary steps to introduce alternative carriers.

3. Highway Facilities

Local highway access and corridor bottlenecks constrain port traffic at both North Carolina ports from the port gates to the National Highway System. The Port of Morehead City has direct highway access, with US-70 along its entrance. However, US-70 is a city street at the entrance, and truck traffic to the terminal must travel through the Morehead City downtown area or must traverse the highway bridge into Beaufort. The lack of limited-access highways, the absence of bypasses around Morehead City, Havelock, Kinston and Goldsboro, and approximately 60 traffic signals between the port and I-95 heavily impact truck traffic.

Carriers now serving the Port of Wilmington have indicated that the highways linking the key locations of North Carolina exporters and importers to Wilmington are less desirable than those to Charleston and Norfolk. The lack of bypasses around Wilmington, Maxton, Rockingham, Hamlet and Monroe, as well as approximately 130 traffic signals between the port and Charlotte, heavily impacts truck traffic.

The MCDP identifies several road-improvement projects that would be directly beneficial to the ports. These projects have the potential for reducing travel time between the ports and the local hinterland markets and will thus improve accessibility to the ports as well as for reducing trucking costs.

Most of these projects are already included in the North Carolina Department of Transportation (NCDOT) Transportation Improvement Program (TIP). However, many were justified on the basis of non-port uses. Therefore, the Port must take an aggressive stance with the NCDOT to

have their implementation schedules revised in order to maximize their benefits to the North Carolina State Ports.

This MCDP also recommends improving access to the Port of Morehead City by adding to the NCDOT TIP a Havelock bypass to NC-101, the improvement of NC-101 from Havelock to Beaufort and the widening of the Newport River bridge from Beaufort to Morehead City to four lanes, as well as additional improvements to NC-24. For improving access to the Port of Wilmington, this MCDP recommends adding the improvement of the Front Street/Carolina Beach Road/Burnett Boulevard intersection in Wilmington and the widening of Burnett Boulevard to the NCDOT TIP.

4. Port-Development Investment Plans

The last major North Carolina State General Assembly contribution to the ports was in FY 1988. The Port of Morehead City received \$9.3 million, while the Port of Wilmington received \$23.4 million. Since this period, the North Carolina State Ports has received approximately \$900 thousand from the North Carolina State General Assembly.

By contrast, the Georgia Port Authority was the fourth leading port authority in the US for 1994 in terms of total capital expenditures. Its total capital expenditure for 1994 was \$45.3 million. None of the other competing ports were ranked in the top 10. In terms of projected capital expenditures for 1995-1999, the Georgia Port Authority is ranked third, with total projected capital expenditures of \$297.4 million. The VPA is ranked eighth, with total projected capital expenditures of \$183.2 million. None of the other competing ports is ranked in the top 10.¹

The Port of Charleston recently completed a \$100 million expansion project that increases the Port's container capacity by about 20 percent and has begun engineering studies for an \$800 million container-terminal project on Daniel Island. When completed, this project will add an additional 8,000 linear feet of wharf with eight container berths and is planned to include inter-modal double-stack rail facilities.

C. MARKET ANALYSIS

An analysis of the current markets in which the Ports of Morehead City and Wilmington compete resulted in a set of commodity-specific projections of cargo throughput for each of the ports. These projections have been used in the MCDP to evaluate future facility, terminal and equipment-project requirements, including warehousing, open storage, crane use, berth utilization, waterway access, and highway and rail infrastructure.

The basic conclusion of the Market Analysis is that the main focus of the North Carolina State Ports should be to assist in the expansion of the North Carolina economy, particularly the agricultural sector, by providing better access to international markets. The overall findings of the Market Analysis are as follows:

¹ US Department of Transportation, Maritime Administration, *United States Port Development Expenditure Report* (Washington: US Department of Transportation, January 1996), pages 9 and 13.

- The North Carolina State Ports are best positioned to serve North Carolina industries and are not well-positioned to compete with the Port of Charleston and the VPA facilities for cargoes originating from or destined to locations outside of North Carolina. Even for many North Carolina industries, the preferred shipping routes to and from international markets do not pass through the North Carolina State Ports, despite the inland drayage benefit for using the Charlotte Intermodal Terminal and the tax credits.
- The North Carolina State Ports will continue to have difficulty in attracting western North Carolina containerized cargoes away from the Port of Charleston.
- The North Carolina State Ports play a vital role in the expansion of industries within their natural hinterland. This is particularly true for North Carolina agri-business.
- The North Carolina State Ports have an opportunity to position themselves to serve agri-businesses outside of North Carolina as well because competing ports have concentrated their business and infrastructure development on attracting containerized cargo.
- Shipping lines that call the Port of Wilmington will have an opportunity to service inland customers if access is provided to the US Intermodal System.

The commodities for which the most significant annualized growth opportunities exist within the next 10 years and for which this MCDP includes specific development plans are indicated in the following table:

COMMODITY	CURRENT VOLUME	EXPECTED FORECAST	MAXIMUM FORECAST
Port of Morehead City			
Wood Chips	642,000	1,060,000	1,060,000
Borate Ore	102,000	180,000	180,000
Sulfur	0	250,000	250,000
Frozen Poultry	34,000	80,000	80,000
Port of Wilmington			
Containers (moves/yr)	54,000	109,133	158,900
Wood Pulp	557,000	902,500	1,153,000
Fertilizers	43,000	100,000	135,000
Grain	0	300,000	300,000
Cement Materials	0	300,000	300,000
Wood Chips	0	300,000	300,000

D. FACILITIES AND EQUIPMENT ASSESSMENT

The purpose of the facilities and equipment assessment was to determine the present capabilities of the Ports of Morehead City and Wilmington to accommodate the cargo volumes in the Market Analysis. In many cases, the forecasted throughput of a given commodity is greater than the respective port's current capacity for accommodating this commodity, in terms of facilities that are both properly configured and are of adequate physical condition.

Many of the cargo-storage buildings are over 35 years in age and are deficient in accommodating the demands of modern cargo-handling methods. Further improvements in cargo-handling

methods, as well as changes in the packaging of the cargo itself, will cause continued obsolescence of these buildings over time. Particular areas of concern are the dry-bulk storage facilities at both ports, which are in very poor physical condition and should be demolished.

The wharves at the Port of Morehead City are generally in good structural condition. However, the design wharf-face water depths at Berths 4-7 are insufficient for accommodating modern cargo ships.

At the Port of Wilmington, the loads currently being imposed on the general-cargo wharves are clearly in excess of those for which these wharves were originally designed. Although the original design loading of these wharves may have been adequate for cargo-handing operations when they were built over 35 years ago, modern cargo-handling methods typically require load capacities that are much higher. Examples of this are with Berth 6, where the wood-pulp handling system has caused sufficient damage to its structure to the point that the Port recently had to derate it, and with Berth 8, where the design load capacity restricts the types of container-handling equipment that can be used on it.

While the existing fendering systems at both ports are adequate for the sizes of vessels currently using the ports, the larger ships, which the deepening of the channels will enable the ports to serve, will require their modernization.

Major equipment deficiencies include the two gantry cranes at the Port of Morehead City and the three gantry cranes at the Port of Wilmington, all of which are in poor condition and should be replaced.

E. CAPITAL-FUNDING REQUIREMENTS

This MCDP recommends public investment of \$231.6 million and port investment of \$16.3 million for port facilities over the next 10 years. It also recommends \$33.4 million in revenue-bond assistance to promote private investment.

Additionally, the MCDP recommends a total investment of \$83.8 million by the State of North Carolina, through the Department of Environment, Health and Natural Resources, for waterway improvements. The Federal and local (utilities, etc.) shares for these projects are \$281.9 and \$4.0 million, respectively. The MCDP also recommends that the State actively support the USACE project to widen and deepen the Cape Fear River channel. The deepening and widening of the Cape Fear River channel is an extremely important project for the future of the Port of Wilmington and for North Carolina industrial and agricultural interests. The completion of these projects will determine the extent to which the NCSPA can continue to serve direct shipping lines in international trade.

Finally, the MCDP recommends that projects totaling \$298.2 million be added to the NCDOT TIP and that several projects currently in the TIP be moved higher on the NCDOT priority list.

Of the total State investment of \$365.0 million for port-facility and waterway-improvement projects, \$207.5 million are for projects required to capture new or expanded business opportunities, and \$157.5 million are for the replacement or improvement of existing substandard infrastructure.

F. MCDP FINANCIAL AND ECONOMIC IMPACT SUMMARY

The following table summarizes the capital funding requirements of this MCDP, to include the costs of all port-facility projects and the DEHNR portion of the waterway-improvement projects. Market-based projects are those projects for which financial ROI's have been determined.

ITEM	MOREHEAD CITY	WILMINGTON	TOTAL
Market-Based Projects	\$50.1 million	\$157.4 million	\$207.5 million
Infrastructure Projects	41.3 million	116.2 million	157.5 million
Total Funding Requirements	91.4 million	273.6 million	365.0 million
Average Annual Financial Return on Investment	3.2%	6.0%	5.2%
Jobs Created	277	1,195	1,472
Incremental Increase in Annual Personal Income	\$7.8 million	\$45.2 million	\$53.0 million
Incremental Increase in Annual Business Revenue	19.9 million	91.3 million	111.2 million
Incremental Increase in Annual State and Local Tax Revenue	685 thousand	4.1 million	4.8 million

Implementation of this MCDP will:

- Increase the capacity of the Port of Morehead City for handling the maximum forecasted throughputs of wood chips, borate ore, sulfur and frozen poultry;
- Increase the capacity of the Port of Wilmington for handling the maximum forecasted throughputs of containers, wood pulp, fertilizers, grain, cement materials and wood chips;
- Increase the likelihood that current steamship lines will continue to call the Port of Wilmington;
- Increase the likelihood that International Paper and Potash Corporation of Saskatchewan (PCS) Phosphate will continue to do business with the North Carolina Ports;
- Provide upgraded and modernized infrastructure in order to improve the position of the Port for attracting new business; and
- Improve cargo-handling and rail safety.

Conversely, without implementation of the MCDP, the following events are likely to occur sometime within the next 10 years:

- USACE funding for the Cape Fear River Channel deepening and widening projects will be lost;
- Yang Ming Line and Hanjin Shipping will no longer call the Port of Wilmington;

- Mediterranean Shipping may no longer call the Port of Wilmington;
- International Paper may divert its Riegelwood facility to the domestic market;
- PCS Phosphate may divert its Aurora facility to the domestic market;
- Dry-bulk import potential at both ports will be reduced;
- Port facilities will further degrade and become more obsolete, thus decreasing the potential to attract new business; and
- Cargo-handling and rail safety will be further impacted.

The NCSPA should take immediate steps toward implementing this Plan. The NCSPA should also review this MCDP on a regular basis and make appropriate adjustments to reflect currently unforeseen changes in the Port business environment. Finally, the NCSPA should schedule a formal update to this Plan by 2002, the midpoint year of the Plan.

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 1997

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Dry-Bulk Import Facility Phase I	\$ 6,200,000	General Assembly
Radio Island Environmental Impact Studies	500,000	General Assembly
Radio Island LASH Ship Mooring Facility	6,000,000	General Assembly
Purchase Owens-Corning Property	2,000,000	General Assembly
Warehouse 6 Roof Repair	650,000	General Assembly
Pavement Repairs	1,010,000	General Assembly
Refurbish Cranes 1 and 2	1,000,000	General Assembly
B&M Trestle Rehabilitation	2,000,000	General Assembly
General Rehabilitation of Terminal Trackage	1,740,000	General Assembly
Cold-Storage Facility	4,750,000	Revenue Bonds
W10 Rail-Dock Widening/Canopy	1,100,000	Retained Earnings
Radio Island Barge Fleeting Area	500,000	Retained Earnings
Upgrade Forklifts	100,000	Retained Earnings
Port Maintenance Dredging	170,000	Retained Earnings
Radio Island Rail-Yard Expansion	1,100,000	Retained Earnings
Port of Wilmington		
Acquire Additional Summer Hill Property	\$ 1,184,500	General Assembly
Acquire Eagle Island Property	315,500	General Assembly
Berth 6 Upgrade	9,300,000	General Assembly
Berth 6 Wood-Pulp Transit-Shed	1,600,000	General Assembly
Berth 7 Ramp Upgrade Construction	2,500,000	General Assembly
Purchase New Gantry to Replace Crane 3	4,000,000	General Assembly
Purchase New Gantry to Replace Crane 4	4,000,000	General Assembly
Sell NC-133 Property	NA	NA
Grain Import Facilities	5,290,000	Revenue Bonds
Dry-Bulk Import Facilities	6,140,000	Revenue Bonds
Operational Analysis of Wood-Pulp Handling Activities	250,000	Retained Earnings
Replace Paktank Pier	1,000,000	Retained Earnings
Wheeling Building Rehabilitation	220,000	Retained Earnings
Reconfigure Crane 8	1,000,000	Retained Earnings
Dismantle Crane 1	100,000	Retained Earnings
Repair Crane 3 Machinery House	50,000	Retained Earnings
Port Maintenance Dredging	370,000	Retained Earnings
General Rehabilitation of Terminal Trackage	2,400,000	Retained Earnings
Construct Additional Terminal Trackage	900,000	Retained Earnings
Total:	\$ 69,440,000	
Funding Sources		
Revenue Bonds	\$ 16,180,000	
North Carolina State General Assembly	44,000,000	
Retained Earnings	9,260,000	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 1997

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 2,748,000	USACE
Harbor Maintenance Dredging	50,000	DEHNR
Port of Wilmington		
Widen Cape Fear River Channel	\$ 148,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	1,000,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	530,000	DEHNR
Harbor Maintenance Dredging	5,757,000	USACE
Harbor Maintenance Dredging	975,000	DEHNR
Total:	\$ 11,208,000	
Funding Sources		
United States Army Corps of Engineers	\$ 9,653,000	
State Appropriation through the DEHNR	1,555,000	
Other (Utilities, etc.)	-	

RAIL AND HIGHWAY PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Wilmington		
Improve Burnett BLVD/Front Street Intersection	\$ 500,000	NCDOT
Widen Burnett BLVD from Front ST to North Gate	700,000	NCDOT
Total:	\$ 1,200,000	
Funding Sources		
NCDOT Transportation Improvement Program	\$ -	
Projects to be Added to NCDOT TIP	1,200,000	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 1998

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Berths 4-7 Apron Widening	\$ 15,820,000	General Assembly
Dry-Bulk Import Facility Phase II	4,912,000	General Assembly
Maintenance and Equipment-Storage Facility	672,000	General Assembly
Edgewater Siding Rehabilitation	500,000	General Assembly
Purchase Freight Cars	2,000,000	General Assembly
Wood-Chip Handling System	5,800,000	Revenue Bonds
Port Maintenance Dredging	170,000	Retained Earnings
Port of Wilmington		
Summer Hill Bulk Terminal Planning/Permitting	\$ 250,000	General Assembly
Wood-Pulp Warehouse Expansion	8,902,000	General Assembly
Berth 7 Upgrade	13,560,000	General Assembly
High-Bay Industrial Facility	2,309,700	General Assembly
Dismantle Crane 3	100,000	Retained Earnings
Dismantle Crane 4	100,000	Retained Earnings
Port Maintenance Dredging	380,000	Retained Earnings
Total:	\$ 55,475,700	
Funding Sources		
Revenue Bonds	\$ 5,800,000	
North Carolina State General Assembly	48,925,700	
Retained Earnings	750,000	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 1998

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 2,000,000	USACE
Port of Wilmington		
Widen Cape Fear River Channel	\$ 3,700,000	USACE
Widen Cape Fear River Channel	1,580,000	DEHNR
Widen Cape Fear River Channel	609,000	Other (Utilities, etc.)
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	2,140,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	858,000	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	675,000	Other (Utilities, etc.)
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	405,000	DEHNR
Harbor Maintenance Dredging	20,000	Other (Utilities, etc.)
Total:	\$ 15,787,000	
Funding Sources		
United States Army Corps of Engineers	\$ 13,640,000	
State Appropriation through the DEHNR	2,843,000	
Other (Utilities, etc.)	1,304,000	

RAIL AND HIGHWAY PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
NC-24 Jacksonville to Swansboro Widening	\$ 12,000,000	NCDOT
NC-24 Swansboro Bypass	75,000,000	NCDOT
Upgrade NC-101 from Havelock to Radio Island	50,000,000	NCDOT
NC-101 Havelock Bypass	60,000,000	NCDOT
Widen Newport River Bridge to Four Lanes	100,000,000	NCDOT
Total:	\$ 297,000,000	
Funding Sources		
NCDOT Transportation Improvement Program	\$ -	
Projects to be Added to NCDOT TIP	297,000,000	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 1999

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Pavement Repairs	\$ 1,300,000	General Assembly
General Rehabilitation of Terminal Trackage	3,100,000	General Assembly
Prilled-Sulfur Handling and Storage Facility	4,030,000	Revenue Bonds
Upgrade Forklifts	110,000	Retained Earnings
Port Maintenance Dredging	180,000	Retained Earnings
Port of Wilmington		
Summer Hill Bulk Terminal Design	\$ 1,100,000	General Assembly
Fruit Handling and Storage Facility	410,000	Retained Earnings
Port Maintenance Dredging	390,000	Retained Earnings
Total:	\$ 10,620,000	
Funding Sources		
Revenue Bonds	\$ 4,030,000	
North Carolina State General Assembly	5,500,000	
Retained Earnings	1,090,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Dredge West Basin to 40'	\$ 800,000	USACE
Harbor Maintenance Dredging	3,000,000	USACE
Harbor Maintenance Dredging	50,000	DEHNR
Port of Wilmington		
Widen Cape Fear River Channel	\$ 13,883,000	USACE
Widen Cape Fear River Channel	4,558,000	DEHNR
Widen Cape Fear River Channel	98,000	Other (Utilities, etc.)
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	3,170,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	1,633,000	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	1,350,000	Other (Utilities, etc.)
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 34,117,000	
Funding Sources		
United States Army Corps of Engineers	\$ 26,653,000	
State Appropriation through the DEHNR	6,816,000	
Other (Utilities, etc.)	1,448,000	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2000

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Port Maintenance Dredging	\$ 190,000	Retained Earnings
Port of Wilmington		
Summer Hill Bulk Terminal Construction	\$ 24,066,000	General Assembly
Berth 7 Wood-Pulp Transit-Shed Construction	2,810,000	General Assembly
Berth 5 Upgrade	18,420,000	General Assembly
Port Maintenance Dredging	400,000	Retained Earnings
Total:	\$ 45,886,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	45,296,000	
Retained Earnings	590,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Widen Turning Basin to 1,200'	\$ 2,500,000	USACE
Harbor Maintenance Dredging	2,000,000	USACE
Port of Wilmington		
Repayment of General-Navigation Features for Widening ¹	\$ 123,358	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	1,160,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	2,818,000	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	1,235,000	Other (Utilities, etc.)
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 11,711,358	
Funding Sources		
United States Army Corps of Engineers	\$ 11,460,000	
State Appropriation through the DEHNR	3,516,358	
Other (Utilities, etc.)	1,235,000	

¹First year of debt service on 30-year loan

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2001

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Pavement Repairs	\$ 1,400,000	General Assembly
Purchase New Gantries	9,000,000	General Assembly
General Rehabilitation of Terminal Trackage	3,300,000	General Assembly
Upgrade to Traversing Shiploader	3,400,000	Revenue Bonds
Upgrade Forklifts	110,000	Retained Earnings
Port Maintenance Dredging	190,000	Retained Earnings
Port of Wilmington		
Acquire Property for Relocating GIT	NA	General Assembly
New Wheeling Facility	\$ 2,380,000	General Assembly
New Heavy-Equipment Garage	1,620,000	General Assembly
Port Maintenance Dredging	420,000	Retained Earnings
Total:	\$ 21,820,000	
Funding Sources		
Revenue Bonds	\$ 3,400,000	
North Carolina State General Assembly	17,700,000	
Retained Earnings	720,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 3,000,000	USACE
Harbor Maintenance Dredging	50,000	DEHNR
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	53,200,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	21,260,000	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 84,008,358	
Funding Sources		
United States Army Corps of Engineers	\$ 62,000,000	
State Appropriation through the DEHNR	22,008,358	
Other (Utilities, etc.)	-	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2002

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Port Maintenance Dredging	\$ 200,000	Retained Earnings
Port of Wilmington		
General-Cargo Facility	\$ 9,167,000	General Assembly
Upgrade Berth 8	3,240,000	General Assembly
Container-Storage Area Design	460,000	General Assembly
Transportation Corridor, North Gate to South Gate	5,862,000	General Assembly
Port Maintenance Dredging	460,000	Retained Earnings
Total:	\$ 19,389,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	18,729,000	
Retained Earnings	660,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 2,000,000	USACE
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	53,100,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	19,621,000	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 79,219,358	
Funding Sources		
United States Army Corps of Engineers	\$ 60,900,000	
State Appropriation through the DEHNR	20,319,358	
Other (Utilities, etc.)	-	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2003

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Pavement Repairs	\$ 1,400,000	General Assembly
General Rehabilitation of Terminal Trackage	3,500,000	General Assembly
Upgrade Forklifts	120,000	Retained Earnings
Port Maintenance Dredging	200,000	Retained Earnings
Port of Wilmington		
Berth 6 Fendering System	\$ 830,000	General Assembly
Berth 7 Fendering System	1,000,000	General Assembly
Berth 5 Fendering System	830,000	General Assembly
Upgrade Berth 3	12,740,000	General Assembly
Upgrade Berth 4	15,770,000	General Assembly
Berth 8 Fendering System	1,100,000	General Assembly
Rearrange Container-Storage Area	6,987,000	General Assembly
Dedicated Intermodal Rail Service	4,500,000	General Assembly
Port Maintenance Dredging	500,000	Retained Earnings
Total:	\$ 49,477,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	48,657,000	
Retained Earnings	820,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 3,000,000	USACE
Harbor Maintenance Dredging	150,000	DEHNR
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	54,264,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	18,545,000	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 82,457,358	
Funding Sources		
United States Army Corps of Engineers	\$ 63,064,000	
State Appropriation through the DEHNR	19,393,358	
Other (Utilities, etc.)	-	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2004

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Port Maintenance Dredging	\$ 200,000	Retained Earnings
Port of Wilmington		
Maintenance and Equipment Storage Facility	\$ 2,773,000	General Assembly
Port Maintenance Dredging	540,000	Retained Earnings
Total:	\$ 3,513,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	2,773,000	
Retained Earnings	740,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 2,000,000	USACE
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	10,100,000	USACE
Deepen Cape Fear River Channel to 42' (44' @ Entrance)	3,341,000	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 19,939,358	
Funding Sources		
United States Army Corps of Engineers	\$ 17,900,000	
State Appropriation through the DEHNR	4,039,358	
Other (Utilities, etc.)	-	

PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2005

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Port Maintenance Dredging	\$ 220,000	Retained Earnings
Port of Wilmington		
Port Maintenance Dredging	\$ 600,000	Retained Earnings
Total:	\$ 820,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	-	
Retained Earnings	820,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 3,000,000	USACE
Harbor Maintenance Dredging	50,000	DEHNR
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Repayment of General-Navigation Features for Deepening ²	911,437	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 10,459,795	
Funding Sources		
United States Army Corps of Engineers	\$ 8,800,000	
State Appropriation through the DEHNR	1,659,795	
Other (Utilities, etc.)	-	

²First year of debt service on 30-year loan

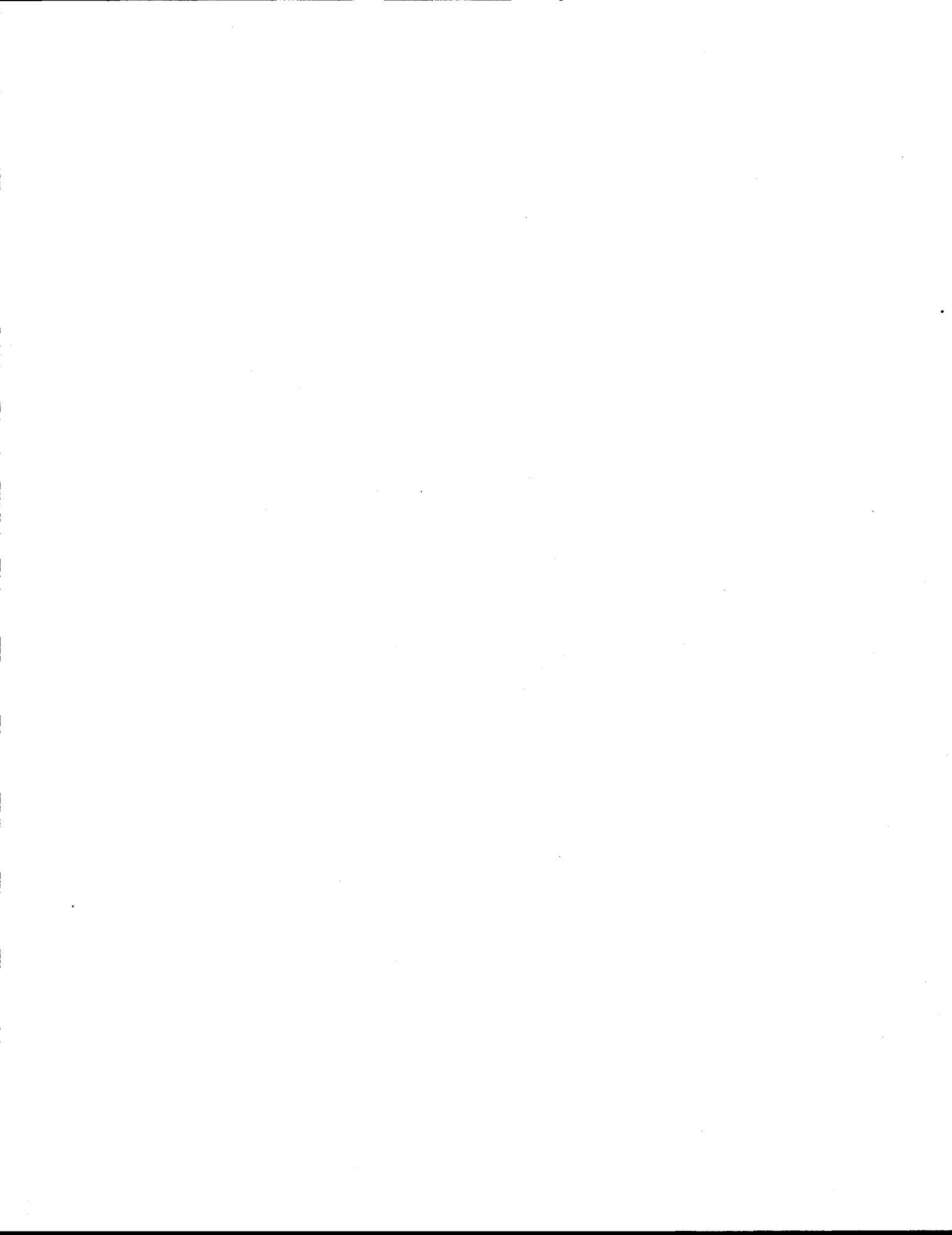
PHASED-IMPLEMENTATION PLAN

FISCAL YEAR 2006

FACILITIES TERMINALS AND EQUIPMENT PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Port Maintenance Dredging	\$ 220,000	Retained Earnings
Port of Wilmington		
Port Maintenance Dredging	\$ 620,000	Retained Earnings
Total:	\$ 840,000	
Funding Sources		
Revenue Bonds	\$ -	
North Carolina State General Assembly	-	
Retained Earnings	840,000	

WATERWAY AND NAVIGATIONAL-CHANNEL PROJECTS	ESTIMATED COST	POTENTIAL FUNDING SOURCE
Port of Morehead City		
Harbor Maintenance Dredging	\$ 2,000,000	USACE
Port of Wilmington		
Repayment of General-Navigation Features for Widening	\$ 123,358	DEHNR
Repayment of General-Navigation Features for Deepening	911,437	DEHNR
Harbor Maintenance Dredging	5,800,000	USACE
Harbor Maintenance Dredging	575,000	DEHNR
Total:	\$ 7,409,795	
Funding Sources		
United States Army Corps of Engineers	\$ 7,800,000	
State Appropriation through the DEHNR	1,609,795	
Other (Utilities, etc.)	-	

APPENDIX H



**ECONOMIC IMPACT STUDIES, the
MARAD PortKit, and the NCSPA**

Presentation:

Raleigh, NC

November 25, 1996

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INPUT/OUTPUT ANALYSIS and the PORTKIT

DIRECT IMPACTS: Employment and purchases of goods and services in the study area generated by "direct" activities. PortKit: port industry, port capital spending, and local port users.

INDIRECT IMPACTS: Labor, services, materials and other items *purchased by the firms that supply the direct activities*. Indirect impacts also extend to include the purchases of firms supplying the firms that supply the direct activity, and so on. PortKit includes six "rounds" of expenditures.

INDUCED EFFECTS: Economic activity associated with the direct and indirect impacts generates wage income, which leads to *additional purchases by households*. Induced effects occur concurrently with the indirect effects during the six successive rounds of calculations.

Indirect/Induced Effects \Rightarrow state "multipliers" of 1.75-2.25

PortKit Economic Impact Measures:

Employment

Income

Sales (final and intermediate)

State and local taxes

SOURCES of PORT DIRECT IMPACTS

PORT INDUSTRY impacts include all activities essential to moving cargo through the port, such as warehousing, stevedoring, inland transportation, and so on. (Data source: NCSPA)

PORT CAPITAL SPENDING impacts include expenditures for construction, expansion and/or maintenance of port facilities--specifically, paving, buildings piers, dredging, and equipment. (Data source: NCSPA)

LOCAL PORT USER effects include the sales revenues, employment, payroll and taxes generated by industries that make direct use of the port for shipping their products or receiving their factor inputs. (Data source: Local Port User Survey)

1994 ECONOMIC IMPACTS

PORT INDUSTRY:

Total Economic Impacts:

Employment: 3,406

Income: \$84.7 million

Sales: \$339.3 million

State and local taxes: \$11.2 million

PORT CAPITAL SPENDING:

Total Economic Impacts:

Employment: 30

Income: \$672,082

Sales: \$2.6 million

State and local taxes: \$90,416

PORT USER:

Total Economic Impacts:

Employment: 75,013 (32,935 direct impact jobs)

Income: \$1.9 billion

Sales: \$10.5 billion

State and local taxes: \$246.8 million

LOCAL PORT USER SURVEY

Key survey questions:

Use Wilmington, Morehead City, or ports outside N.C.?

Number of North Carolina employees.

N.C. county where majority of employees reside .

SIC Code Industry.

Percent of business dependent on waterborne ports.

Survey recipients:	2,180
Instate:	1,243
Out-of-state:	937
Surveys returned:	680
Instate:	505
Out-of-state:	175
Survey response rate:	31%
Instate:	41%
Out-of-state:	19%

Conservative measures:

1. No inferences are made regarding non-respondents
2. Direct Impact = #Employees × %Business Port Depend.

CRITICISMS of ECONOMIC IMPACT STUDIES

PORT INDUSTRY IMPACTS: None

PORT CAPITAL SPENDING IMPACTS: None

LOCAL PORT USER IMPACTS:

1. Economic impacts are exaggerated:
We use only "% of business" port dependent
Make no inference re survey non-respondents
2. Local port user jobs would not be lost without port, i.e,
firms would simply use other ports:
Problem: Allocating economic impacts among ports
(What if there were no ports?)

NCSPA BASE ACTIVITIES
1996 versus 1994

PORT INDUSTRY:

1994

	<u>Container</u>	<u>Breakbulk</u>	<u>Dry Bulk</u>	<u>Liquid Bulk</u>	<u>Totals</u>
Morehead City	0	161,158	2,103,219	99,796	2,364,173
Wilmington	<u>718,156</u>	<u>794,018</u>	<u>110,343</u>	<u>575,744</u>	<u>2,198,261</u>
Total	718,156	955,176	2,213,562	675,540	4,562,434

1996

	<u>Container</u>	<u>Breakbulk</u>	<u>Dry Bulk</u>	<u>Liquid Bulk</u>	<u>Totals</u>
Morehead City	0	324,647	2,379,084	163,602	2,867,333
Wilmington	<u>721,879</u>	<u>795,817</u>	<u>101,097</u>	<u>499,834</u>	<u>2,118,627</u>
Total	721,879	1,120,464	2,480,181	663,436	4,985,960

PORT CAPITAL SPENDING:

1994

	<u>Paving</u>	<u>Buildings</u>	<u>Piers</u>	<u>Dredging</u>	<u>Equip.</u>	<u>Totals</u>
Morehead City	\$ 50,000	\$ 0	\$940,386	\$ 54,667	\$ 0	\$1,045,053
Wilmington	<u>50,000</u>	<u>260,802</u>	<u>689,797</u>	<u>202,204</u>	<u>44,906</u>	<u>1,247,709</u>
Total	\$100,000	\$260,802	\$1,630,183	\$256,871	\$44,906	\$2,292,762

1996

	<u>Paving</u>	<u>Buildings</u>	<u>Piers</u>	<u>Dredging</u>	<u>Equip.</u>	<u>Totals</u>
Morehead City	\$337,300	\$ 710,450	\$ 31,500	\$171,000	\$ 94,830	\$1,345,080
Wilmington	<u>0</u>	<u>1,394,500</u>	<u>804,500</u>	<u>209,000</u>	<u>245,500</u>	<u>2,653,500</u>
Total	\$337,300	\$2,104,950	\$836,000	\$380,000	\$340,330	\$3,998,580